Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,404 Wednesday December 2 1987 D 8523 A

Gatt: Moscow waits at the world's trade door, Page 6

World News

Soviet army 'may quit Afghanistan early'

Soviet leader Mikhail Gorbachev was quoted as saying he was considering withdrawing Soviet troops from Afghanistan earlier than the previously planned deadline of within 12 months.

Australian Prime Minister Bob Hawke, visiting Moscow, said Gorbachev told him he had been in contact with Afghan President Najibullah in the previous 24 hours. Page 28

Iranians 'ready to deploy new missile'

Iran said it would deploy a new type of ground-to-ground missile against Iraq in the next few days as tens of thousands of troops left Tehran for the warfronts.

Iraq granted an amnesty to all citizens living abroad who were convicted or suspected of political or criminal offences - including those sentenced to death.

Korean Airlines 'bomb'

A Korean Airlines Boeing 707 missing since Sunday had probably been blown up by a time bomb, possibly left by a couple who got off the airliner in Abu Dhabi and took suicide capsules during interrogation in Bahrain, South Korea said. Page 28

Contras propose truce

Nicaraguan rebel leaders proposed a five-week truce in their war against the Sandinista Government, but demanded that Managua dismantle its army. Page 5

France to repay Iran

France indicated it was willing to repay Iran part of a contested loan to improve relations between the two countries. UK hostage claims, Page 8

Sri Lanka killings

Seven members of a Tamil family were shot dead by police in eastern Sri Lanka. Colombo confronts threat, Page 4

OAU debt proposal

African leaders at a two-day Organisation of African Unity meeting in Addis Ababa proposed radical measures to solve the continent's debt crisis.

INF pact 'a disaster'

The superpower accord on eliminating shorter- and medium-range nuclear missiles from Europe could spell disaster for the Western allies, former US Secretary of State Henry Kissinger said. Nato looks beyond pact, Page 3

Thatcher to visit Lagos

British Prime Minister Margaret Thatcher was to go ahead with a visit to Nigeria despite a row in Lagos about the invitation and widespread criticism from Nigerians angered by her anti-sanctions views on South Africa. Page 4

UK warns Gibraltar

The British Government warned Gibraltar that it may invoke the Governor's reserve powers and impose direct rule on the colony if it refused to accept an Anglo-Spanish deal on joint use of Gibraltar's airport. Page 2

Bhopal charges

India charged Union Carbide of the US and former chairman Warren Anderson with manslaughter, three years after the Bhopal accident which killed 2,800 and four days after settlement talks broke down.

Italian energy plan

The Italian Government started work on a new national energy plan, the country's third in five years, following a recent referendum on the subject. Page 2

Picasso record

A world auction record for a Picasso was set at Sotheby's in London last night when Sovenir Du Havre, an oil painting, was sold to a Swiss dealer for £4.18m ($6.89m).

Fast rouble tax

Soviet Communist Party newspaper Pravda urged the state to raise taxes on new co-operative businesses getting too rich too fast. Page 3

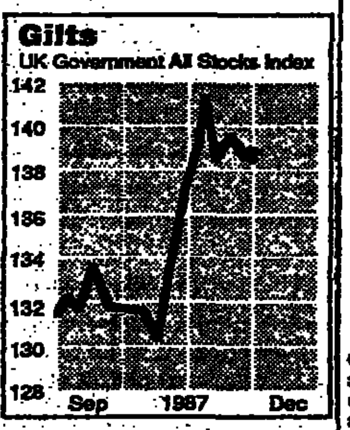
Business Summary

Plessey in talks on GEC chip activities

PLessey, UK electronics group, is negotiating for the semiconductor activities of the General Electric Company only a week after reaching agreement on the takeover of the Ferranti chip manufacturing business.

A deal between the two groups, which could take the form of a takeover or a joint venture, would secure Plessey's position as the leading UK chip producer.

GILTS fell in sluggish trading amid renewed uncertainty about the US dollar. The UK Government All Stocks Index lost 0.37 points to close at 138.5. Market report, Page 39



WALL STREET: The Dow Jones industrial average closed up 8.79 at 1842.34. Page 52

LONDON: UK equities moved erratically as the dollar wavered and firmed. The market started well, gaining 12 FT-SE points. However, equities slipped at the close, leaving the FT-SE 100 Index with a net loss of 1.4 at 1578.5. Details Page 48

TOYKO: a sharp rally in Nippon Telegraph and Telephone (NTT) shares helped lift the entire Tokyo stock market taking the Nikkei average up 146.11 to 22,832.89, but volume remained light at 413.54m shares. Page 52

DOLLAR closed in New York at DM1.6550, FFr5.6310, SFr1.3565 and Y133.40. It closed in London at DM1.649 (DM1.64); FFr5.6125 (FFr5.58); SFr1.3505 (SFr1.345) and Y132.95 (Y132.45). The dollar index rose to 95 from 94.4. Page 41

STERLING closed in New York at $1.8105. It closed in London at $1.8195 ($1.826); DM2.995 (unchanged); FFr10.2125 (FFr10.19); SFr2.4575 (SFr2.455) and Y242.0 (Y241.75). Page 41

AUTOLATINA, Brazil-based holding company which brings together Ford and Volkswagen in Brazil and Argentina, forecast that losses this year could reach $300m due mainly to government price controls. Losses totalled $78m in 1986. Page 29

US SHOE, Cincinnati-based footwear and clothing store chain, reported a 9 per cent fall in third quarter net profits to $12.2m or 27 cents.

TURNER Broadcasting Systems, US media group, and General Electric's NBC are holding talks on a $400m capital injection by NBC into Turner. Page 29

NORANDA, Canada's largest integrated group, is tightening its control of the oil and gas interests of the Peter and Edward Bronfman family of Toronto. Page 29

CSR, Australian sugar group with extensive interests in building products, has purchased a further 8.9 per cent of Timber Holdings, taking its stake to nearly 29 per cent. Page 31

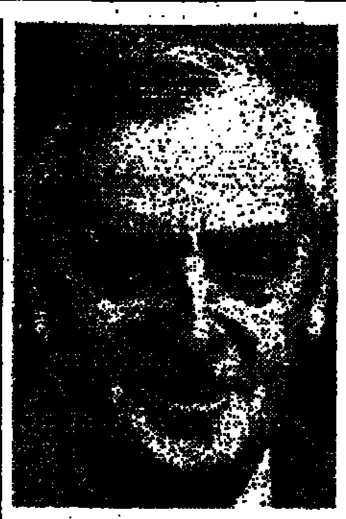
NEPTUNE ORIENT Lines, Singapore-based shipping group, has cut by more than half the price of its one-for-one rights issue as a result of the market collapse, and now aims to raise only S$178m (US$88.1m). Page 31

TOSHIBA, leading Japanese manufacturer, announced consolidated net earnings in its first half to September up 47 per cent to Y17.61bn ($133m) from Y12.01bn. Page 31

KLOECKNER-WERKE, West German steel group, expects to have broken even in net-income terms last year - for the third year running - in spite of "overall bad" conditions in the steel market. Page 30

The Flying Peanut glides out of politics

BY CHRIS SHERWELL IN SYDNEY



Sir Joh: lost touch with his party

MR JIMMY Carter was not the first peanut farmer to rise to the top in a country known for its aggressive and open politics.

Sir Johannes Bjelke-Petersen, the maverick politician who resigned yesterday as premier of the Australian state of Queensland, was called the "Flying Peanut" long before.

The tag reflected his love for piloting aircraft as well as his background, and was at least endearing. By contrast, he was at one stage also dubbed "Jackboots Bjelke" because of his extreme anti-union and anti-socialist views.

As it turned out, neither sobriquet lasted as long as he did - and when his time finally ended, he went out as everyone expected - defiantly.

He announced his resignation from the premiership of the "Sunshine State", and retirement from his parliamentary seat, at a press conference specially timed to coincide with live television news broadcasts.

His decision marks the end of an era in Australia. He had been in Queensland politics for 40 years, and Premier for almost 20 of them. To judge by the loss of touch he displayed in his last few months, no outsider could have guessed at this extraordinary record, which was all the *more remarkable given his* humble background.

To judge by the loss of touch he displayed in his last few months, no outsider could have guessed at this extraordinary record, which was all the more remarkable given his humble background.

The son of poor Danish Lutheran immigrants, he worked hard to build his profitable peanut farm and then a successful land clearance business.

In 1947 he launched himself into right-wing politics through the Country (later the National) party, and became premier almost by default in 1968.

Once there, he hung on, helped by the so-called Queensland gerrymander.

He displayed native cunning, charm and guile in dealing with rivals and a mastery of the half-truth and quotable quote in dealing with the press.

His public stands on issues like political protest, minority rights, censorship, conservation and liquor licencing gave the state an unfortunate image. Some dubbed it the "Deep North".

But with the Barrier Reef and tropical rainforest, it also developed into a major tourist zone and remained an important coal, base metals and sugar exporter.

Sir Joh talked much of free enterprise but was something of an interventionist.

His biggest mistake, however, *came after he won his greatest* ever electoral victory 13 months

Continued on Page 28

Opinion divided in Washington on prospects for budget deficit proposals

Central bankers in Europe and Japan act to stem dollar slide

BY STEWART FLEMING IN WASHINGTON AND SIMON HOLBERTON IN LONDON

CENTRAL BANKS in Europe and Japan intervened in foreign exchange markets yesterday to arrest the dollar's slide while the US Congress was due to begin drafting legislation to cut the budget deficit by $75bn over two years.

Congressional budget experts predicted that the accord reached last month would be passed in spite of the political obstacles to its approval.

But they raised the possibility that final action might not be taken until December 19, probably the last date Congress can convene before the Christmas holidays.

There are, however, sceptics on Capitol Hill who question whether Congress will approve a budget accord which is politically unattractive and which is coming under fire from prominent private economists on the grounds that it will not produce the deficit reduction being advertised.

On the foreign exchange markets, central banks in the UK, West Germany, the Netherlands, Switzerland, Italy, and earlier, Japan, participated in yesterday's intervention.

Central bankers said they intervened to support the dollar *to show the market that, in the* words of one, "we still put some store in the idea of orderly markets".

But the intervention was not massive and, according to another European central banker, it amounted to some hundreds of millions of dollars.

It appears as if the US Federal Reserve did not participate. One exasperated European central banker said: "There were no signs or signal from the US that the Americans are prepared to support the dollar or prevent it from falling further."

The dollar rebounded in response to the intervention but dealers said this reflected technical factors rather than any fundamental reassessment of the US currency. As trading progressed throughout the day it came under renewed, if modest, selling pressure.

West Germany's efforts to calm currency markets will be reflected in moves to be announced today and tomorrow to increase assistance to West German industry and by a cut in the discount rate, but it remains to be seen what effect, if any these will have on the dollar.

In Washington there were unconfirmed reports that the US, spurred on by the turbulence in the financial markets, was considering accelerating efforts to convene a meeting of the Group of Seven leading industrial countries.

The reports also made it clear that basic understandings still have not been reached and without these a G7 meeting would not be able to produce substantive agreements. According to European central bankers there were *no signs of a G7 meeting* occurring in the near future.

Mr Nigel Lawson, the British Chancellor, is still keen to have a G7 meeting before Christmas. In recent contacts with Washington, however, he has made it clear that a firm US commitment to support the dollar is a precondition for successful talks.

The Senate Finance Committee had scheduled a private meeting to discuss the $9bn of tax increases for the current fiscal year and the $14bn proposed for 1989. Eventually House and Senate versions of both the parcel of tax and spending proposals *will have* to be reconciled and sent to President Reagan for his approval.

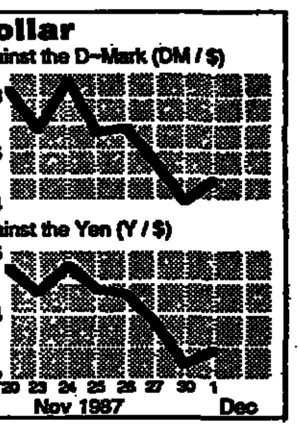
On Monday, Mr Reagan signalled that he could still veto the legislative package if it did not meet the guidelines established in the negotiations.

In London, activity in the stock market was subdued. The FT-SE 100 share index closed 1.4 lower at 1,578.5, and the FT Ordinary share index closed 1.1 lower at 1,249.8.

The dollar closed at DM1.6490, compared with DM1.64 on Monday, and at Y132.95 (Y132.45).

The pound closed at $1.8195 ($1.8260) and at DM2.9975 (DM2.9950).

The Bank of England's trade-weighted sterling index closed 0.2 lower at 76.2.



West Germany expected to boost economy

BY DAVID MARSH IN BONN

THE WEST German Government and the Bundesbank, the central bank, are due to announce today and tomorrow concerted investment measures and interest rate cuts to stimulate the economy, a senior Government official said last night.

A programme involving an extra DM21bn ($12.8bn) in subsidised investment credits for local government authorities and small and medium-sized businesses will be announced today by Mr Gerhard Stoltenberg, the Finance Minister.

The official also indicated that the Bundesbank, which holds a regular meeting of its policy-making council tomorrow, would cut discount rate by at least 0.5 *percentage point from* the present 3 per cent. The larger-than-expected reduction would take the discount rate to the lowest level ever.

The official's remarks indicate the strong political pressure building on the central bank from Bonn to support the economy.

The moves are viewed as West Germany's contribution to helping the domestic and international economy and stabilising exchange rates, he said. Together with already planned tax cuts of DM14bn taking effect at the beginning of next year, they also represented the contribution Bonn would be taking to any prospective meeting of the *Group of Seven Finance Ministers*, he said.

Declaring that Bonn could play only a "marginal" role in stabilising the dollar, the official made clear that the Government was interested above all in keeping steady exchange rates within the European Monetary System (EMS).

Although he stressed that the Bundesbank was autonomous, his strong pre-emptive hint of tomorrow's interest rate action may take the central bank by surprise.

Gerhard Stoltenberg

A discount rate cut had already been expected by many bankers, but the Bundesbank is known to be anxious to maintain its freedom of monetary policy

The West German Bundespost - the post and telecommunications authority - will also bring *forward to next year some* already planned capital investment spending as an ancillary growth measure.

The cost to the West German budget of the investment credit programme will be small, probably somewhat more than DM200m a year. The funds will be lent at subsidised interest rates by the public sector-owned Frankfurt-based financing agency, Kreditanstalt fuer Wiederaufbau (KFW).

The planned investment credit package last night drew some critical reaction in West Germany. Mr Tyll Necker, president of the Confederation of West German Industry, complained that the programme - to be geared heavily towards local government spending on the environment - was not strongly enough geared to industry.

EC sets out plan to open up satellite market

By David Thomas and Terry Dodsworth in London

THE EUROPEAN Commission is determined to legislate next year for greater competition in telecommunications among EC member states.

The Commission has become convinced that further liberalisation measures are needed after receiving replies to a consultative Green Paper it published in June which revealed a broad consensus in favour of more competition.

Mr Karl-Heinz Narjes, Commission Vice-President, said in London yesterday that the replies provided a "strong basis" on which to build a determined campaign for greater competition.

Mr Narjes told the Financial Times conference on World Telecommunications that the Commission would adhere to "strict deadlines" in pursuing a step-by-step programme of liberalisations. *Among the measures* disclosed by Mr Narjes were:

- Free competition in the terminal equipment market by 1990, though probably with a transitional period for liberalisation of the first telephone for that market.
- Substantial liberalisation of services, particularly value-added *services used by businesses, from* 1989 onwards, though member countries will not be forced to liberalise basic voice traffic.
- Free competition in 1989 in the supply of receive-only small satellite dishes.
- Moves to bring tariffs into line with costs, with 1992 as the target date for achieving "reasonable cost-related tariffs."
- Several supplementary measures, including enforcing fair equipment approval processes across Europe and setting up a European Telecommunications Standards Institute.

Further comments on the Green Paper are still expected before the end of the year, but Mr Narjes *was sufficiently confident* to promise that the first legislation proposals would be published in the first half of 1988.

The Commission was surprised by the readiness with which European telecommunications administrations accepted the need for more competition.

The Commission is hoping to reach a common EC policy by the end of 1988 on satellite communications and on the telecommunications trade - an area where the EC has experienced difficulties with the US and Japan.

The EC's eventual goal is to complete the liberalisation programme by 1992, as part of its ambitious overall objective of creating a free internal market within the Community.

Conference report, Page 12.

Thatcher steps up attack over Irish extradition proposals

BY PETER RIDDELL, POLITICAL EDITOR IN LONDON

MRS MARGARET Thatcher, the British Prime Minister, yesterday stepped up public criticism of the Irish Government's proposed changes in extradition procedures with the UK.

In a prepared statement read during the regular Prime Minister's question time in the House of Commons, she said Britain would become "the least favoured nation" in Europe in relation to the extradition of suspects from the Irish republic. There was a risk that extradition would become more difficult, she said.

Her remarks reflect the strength *of feeling in the* British Government on the need for proper procedures for the extradition of terrorist suspects who can escape over the border into the Irish republic after incidents in Northern Ireland.

Mrs Thatcher intends to press home her criticism of the extradition proposals when she sees Mr Charles Haughey, the Irish Prime Minister, at the European Community summit to be held in Copenhagen this weekend.

Ireland has ratified the European convention on the suppression of terrorism, but in response to domestic political concern, the Irish Government has proposed amendments to legislation on extradition affecting the UK. The Irish Attorney General would be involved in such applications to satisfy himself on the intention to prosecute a fugitive and about the evidence - in *effect*, a first trial.

Mrs Thatcher told MPs that the Government was "naturally concerned about the compatibility of the proposals with the continuance of viable extradition arrangements within the two countries." These, she said, were essential so that there was no hiding place for terrorists.

"What the republic is doing is making us the *least* favoured nation in this matter." It was "a step backwards."

In a speech delivered before Mrs Thatcher's remarks, Mr Brian Lenihan, the deputy Irish Prime Minister, claimed the new arrangements would "bring new vitality to the relationship now established between the British and Irish governments." He said the safeguards were a full response to public opinion on the issue.

Last night, Mr Neil Kinnock, the opposition Labour leader, received support from leaders of the Republic's labour parties in his attempt to isolate Mr Ken Livingstone, the left-wing Labour MP, for his repeated remarks sympathising with the aims of Sinn Fein, the political wing of the outlawed Irish Republican Army (IRA).

Mr Dick Spring, leader of the *Irish Labour Party, along* with the leaders of the Workers' Party and the Democratic Socialist Party, has written to Mr Kinnock urging an end to all contact with Sinn Fein.

The letter, which was circulated to all Labour MPs last night ahead of a discussion at the Parliamentary Labour Party meeting due this morning, says that "those deluded or opportunist British socialists who support the IRA should be reminded that Enniskillen (a bomb attack in Northern Ireland last month in which 11 people died, and for which an IRA unit admitted responsibility) was the latest in a long line of atrocities which are part and parcel of its fascist campaign.

"If the morale of the IRA continues to be boosted by elements of the British Labour Party, part of the blame for future atrocities will be laid at the feet of those in Britain who heed and support the IRA."

UK Parliament, Page 14

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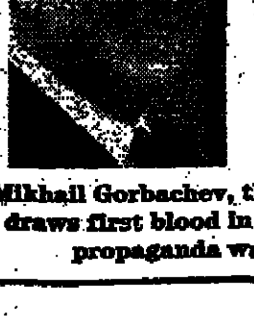

GORBACHEV'S CANDID CAMERA CHARMS AMERICA

Mikhail Gorbachev, the Soviet leader, draws first blood in the pre-summit propaganda war, Page 5.

Italy again tackles task of how to meet its energy needs

BY DAVID LANE IN MILAN

THE ITALIAN Government has started work on a new national energy plan, the country's third in five years, following the recent referendum on the subject.

A committee of politicians and experts, mainly from the energy sector, has been appointed to produce a framework within three months.

The previous plan, approved two years ago, was quickly made obsolete by the Chernobyl nuclear disaster in April, 1986. Since then Italy, which is highly dependent on imported energy, has been without a policy.

Mr Adolfo Battaglia, the Industry Minister, has specified the issues which must be studied. The committee is required to forecast medium-term energy requirements, giving attention to energy-saving and diversification of sources.

In this task it may be helped by the large quantity of material presented to the national energy conference, held in Rome at the end of February.

Decision-making in Italy's energy sector has been severely hampered by bureaucratic procedures. The committee has been asked to examine these and, in particular, to suggest solutions to the problems of siting power stations.

Forecasting electricity demand and making proposals for supply will form an important part of the committee's work. An electricity sub-plan will indicate the generating capacity which Italy will need.

On the nuclear issue Mr Battaglia says that government policy foresees a limited presence in this field, together with the continuation of research into intrinsically safe reactors and fusion power.

Three other ministers will sit on the committee, which will also include the chairman of the electricity corporation, ENEL, and the state hydrocarbons holding corporation, ENI. This composition has been criticised as pro-nuclear by environmentalists.

Last weekend, the Government suspended until the end of this year work on the nuclear sections of the Montalto di Castro power station about 70 miles north of Rome. Mr Giovanni Goria, the Prime Minister, said that completion of the plant would be subject to checks on its safety and on the economics of modification to other fuels.

● Italy's trade unions are going ahead with a national strike of airport workers today following the breakdown of negotiations on renewing the labour contract which expired at the end of last year.

Ground staff will stop work after four hours of their eight-hour shifts, paralysing all Italian airports and affecting national and international flights by all carriers. Alitalia, the national airline, expects to cancel more than half its flights.

Twenty-four hour stoppages by ground staff are planned for next Sunday and December 14. These will cause a total blackout of air transport to and from Italy.

Union leaders will meet Mr Goria tomorrow and there are hopes that this meeting will lead to resumption of negotiations and cancellation of the strikes.

Waldheim will submit to wartime inquiry

By Judy Dempsey in Vienna

DR KURT WALDHEIM, the Austrian President, who is surrounded by controversy concerning his wartime activities, has agreed to stand before a specially-convened historical commission if invited to do in an attempt to clear his name.

The historical commission which was set up at the request of the Austrian Government is looking specifically at the allegations concerning Dr Waldheim's activities in the Balkans between 1942 and 1945.

In particular, the commission will investigate whether Dr Waldheim knew about, or was involved in, the deportation of Greek Jews from Salonika to the concentration camps, as well as the murder of thousands of Yugoslav partisans. Dr Waldheim has always consistently denied these allegations.

There is a growing consensus that the commission could come up with evidence likely to embarrass the President.

Mr Adolf Czettel, president of the Arbeiterkammer labour union, said earlier in the week that "Waldheim himself knows what to do."

He implied that the affair would have to be resolved soon, given that the 50th anniversary of the Anschluss, the annexation of Austria by Nazi Germany in 1938, falls next February. A whole series of seminars and lectures which will consider Austria's role during the Second World War have already been organised to coincide with the anniversary.

BRITAIN MAY IMPOSE HOME RULE IF ANGLO-SPANISH PLAN IS REJECTED

Gibraltar warned on airport deal

BY JOE GARCIA IN GIBRALTAR

THE British Government is reported to have warned Gibraltar that it may invoke the Governor's reserve powers, and impose direct rule on the colony, if it refuses to accept an Anglo-Spanish deal on joint use of the Rock's airport.

Britain is poised to take such exceptional action, which has been made known privately to local leaders, in the face of continuing threats from Gibraltar to block an expected agreement on the joint use of the airport with Spain.

In London last night, British Foreign Office officials strongly denied the report.

They said that Britain and Spain were still attempting to negotiate a mutually acceptable agreement on use of the airport which would in no way undermine the principle of British sovereignty over Gibraltar. The best guarantee that the interests of Gibraltar would be fully taken into account was the presence of Sir Joshua Hassan, the Gibraltar Chief Minister, at the negotiations, the officials said.

Gibraltarians fear that an airport deal could be the first of a series of Spanish incursions into their homeland. They have demonstrated against concessions being granted to Spain and the local parliament has unanimously opposed joint use or control.

Britain, however, says it is confident that what is on offer does not impinge on the sensitive issue of sovereignty and would provide Gibraltar and the Spanish hinterland with important economic benefits, helping the disputed colony's development as a finance and tourist centre.

The Rock's Governor, who is directly responsible for foreign affairs as Britain's appointee, is constitutionally empowered to act to safeguard Gibraltar's economic and financial stability. Separately, he can also use reserve powers to enact legislation necessary to set in motion an airport deal with Spain, if the House of Assembly fails to pass such legislation.

Britain hopes to avoid taking such drastic action by persuading the local government to agree to the minimum British offer to Madrid. This includes the building by Spain of a second terminal to handle passengers to and from Spain, who would be exempt from Gibraltar's passport and customs controls. Britain is also prepared to have a Spanish air traffic controller at the airport, in the interests of safety and improved liaison between the Gibraltar and the Seville control towers, given the prospect of increased commercial traffic if a deal goes through.

However, talks in Madrid last weekend between Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Francisco Fernandez Ordonez, his Spanish counterpart, ended in deadlock because of Spanish insistence on an improved British offer.

A further round of talks in London today would seem to provide a final opportunity to strike a deal before EC transport ministers meet on December 7 to consider the air liberalisation issue, which Spain blocked last June because Gibraltar was included as a British regional airport.

Sir Joshua Hassan, the Chief Minister of Gibraltar, is joining the British side at the London talks. He agreed last week to attend the Madrid meeting after receiving assurances from the British Foreign Office.

Mr Joe Bossano, the leader of the opposition, has warned of a constitutional crisis developing "if Britain tries to impose on Gibraltar what it does not want."

Italy drops out of British air show

By David Lane in Milan

ITALY'S aerospace companies will not be displaying at the Farnborough air show in September next year. The decision to miss the two yearly event was announced by the Associazione delle Industrie Aerospaziali (AIA).

AIA admits that Italy's aerospace industry will suffer a significant blow to its worldwide status as a result.

AIA's 80 members include several large, state-owned companies, notably aircraft makers, Aeritalia and Aermacchi, Agusta helicopters, Alfa Avio and the electronics and missile manufacturer, Selenia.

Although not attending individually, Italian companies will be displayed with any international consortia in which they are involved. AIA said it decided not to attend because the yearly occurrence of a major international show, with Farnborough and Le Bourget in alternate years, is too frequent.

He noted that product cycles are considerably longer, making the presentation of new products at each event impossible.

AIA emphasises that the absence of its members from Farnborough should not be seen as criticism of the British air show. It is believed, however, that its decision is related to its request for governmental support in promoting the export of defence equipment.

The association's members are concerned that a decree law whose announcement by the Ministry of Foreign Trade is expected soon, will further damage export business. This year, foreign sales by AIA's members will represent only 47 per cent of their total turnover.

Talks begin on chemical weapons ban

US AND SOVIET arms negotiators opened three weeks of talks yesterday aimed at agreeing a ban on the production, deployment and stockpiling of chemical weapons, spokesmen for both sides said, **Reuter reports from Geneva.**

The talks follow an unprecedented exchange of visits to chemical weapons sites in the two countries. Soviet experts toured a US site at Tooele, Utah, in November and American officials visited a Soviet site at Shikhany in October.

The bilateral talks on chemical weapons were initiated by Mr Mikhail Gorbachev, leader of the Soviet Union, and US President Ronald Reagan during their November 1985 Summit in Geneva.

The leaders said the talks were intended to accelerate efforts at a long-running 40-nation disarmament conference to ban chemical arms. The bilateral talks run parallel to the conference.

Negotiations on chemical weapons have been boosted by the recent US-Soviet agreement to eliminate intermediate-range nuclear missile forces (INF), according to Western negotiators at the disarmament conference.

The key to the INF treaty, to be signed by Mr Gorbachev and Mr Reagan at a summit in Washington next week, was an unprecedented regime to guarantee against cheating, including swift on-site inspections of any suspected areas or facilities.

Efforts to agree a strict verification regime for chemical weapons have stalled work at the 40-nation conference, to which Washington and Moscow are also parties.

But over the past 12 months the Soviets have made a dramatic shift from rejecting any kind of on-site monitoring to accepting even the most intrusive, short-notice inspections.

Much of the 150-page INF treaty covers verification measures, and Western negotiators believe this has established the precedent required for a chemical arms convention.

A 1925 Geneva convention, which followed the devastating effects of gas and other chemcial weapons in First World War, banned the use of such arms but was never extended to cover production, stockpiling or deployment.

Western military analysts estimate Moscow has an up-to-date stock of around 200,000 to 500,000 tons of chemicals. Mr Gorbachev said earlier this year that Moscow had halted production and was building a chemical weapon destruction facility.

The US stopped making chemical weapons in 1969 but will resume production this month with a new generation of binary, or two-chamber, artillery shells.

FINANCIAL TIMES

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Renovators get cold shoulder at French Communist Party congress

FRANCE'S Communist Party, which once commanded the votes of one Frenchman in five, opens its two-yearly congress today with support flagging and its ranks split between reformers and old guard, **Reuter reports from Paris.**

But little will be heard of the divide when 9,000 party members gather in the Paris working-class suburb of Saint Ouen for their last get-together before the 1988 presidential elections.

The party has ensured that reformist dissidents, opposed to the rule of veteran leader Mr Georges Marchais, have resigned or been excluded from the congress to pave the way for orderly proceedings.

Dissatisfaction with Mr Marchais' 15-year rule have crystallised around the party spokesman, Mr Pierre Juquin, who is standing in the presidential elections against the party's official candidate.

Mr Juquin and his dissidents, known as "renovators," are unhappy with the party's centralised structure, old-fashioned image and loyal pro-Soviet stance.

But Mr Marchais has condemned them as "liquidators" - a phrase which his opponents see as chillingly Stalinist.

Mr Juquin, himself, was expelled immediately after announcing his candidacy. Most of his supporters have been kept out of official delegations to the congress and the party's leadership is confident of broad support for its line.

The party secretary for regional federations, Mr Paul Laurent, announced last week that 96.17 per cent of congress delegates had approved the resolutions proposed by Mr Marchais.

But while the party has concentrated on stifling opposition, support has taken a spectacular dive.

With 20.6 per cent of the popular vote in 1978, it fell to 10 per cent in last year's general election.

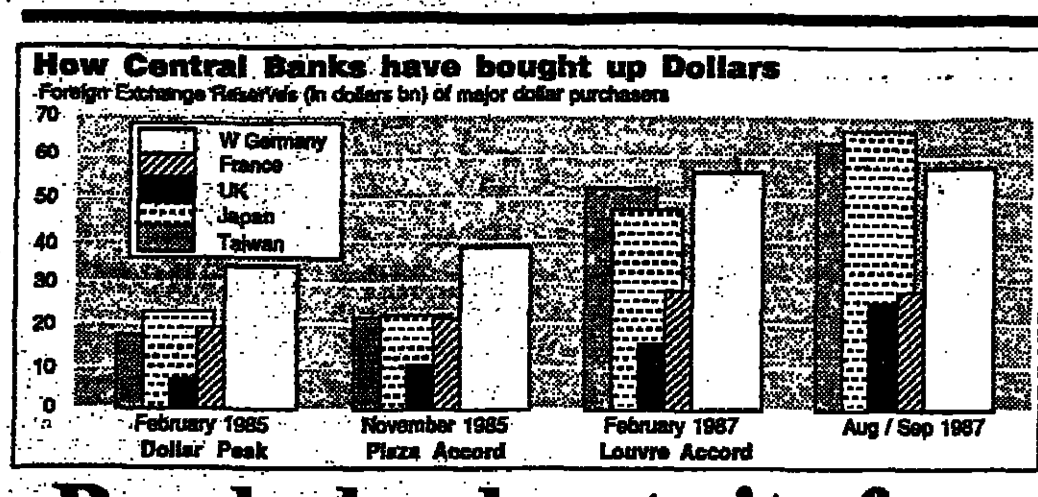
Mr Marchais shocked the party by deciding not to run for president next year. The role of carrying the party's colours fell to Mr Andre Lajoinie, soft-spoken leader of the Communist parliamentary group, who has failed so far to generate any excitement on the campaign trail.

According to opinion polls, Mr Lajoinie, a Marchais loyalist and former farmer has only 5 per cent support - barely above the rebellious Mr Juquin.

● Two deputies from the European Parliament were allowed a brief visit yesterday to two Communist leaders detained after returning to Turkey from exile last month.

Mr Luc Beyer de Ryke, head of the parliamentary delegation that came to Turkey to observe last Sunday's general elections, told reporters that he and a German parliamentarian, Mr Ludwig Fellermeier, were allowed to see the detained leaders through a glass door for two minutes.

According to State Security Court prosecutors, Mr Kultu and Mr Sargin have already violated several articles of the Turkish Criminal Code that bars Communist propaganda and the formation of a Communist party.



Bundesbank sets its face against $ 'target zones'

BY DAVID MARSH IN BONN

THE BUNDESBANK is likely to resist strongly any idea of informal "target zones" for the dollar in any new currency agreement which might be reached by the Group of Seven nations in coming weeks.

The view is gaining ground in the Bundesbank, the West German central bank, that this year's attempts to hold the dollar steady under the Louvre monetary agreement were a contributory factor behind October's stock market crash.

Top Bundesbank officials, in recent statements in both private and public, have expressed strong scepticism about the efforts to stabilise currencies under the February Louvre accord among the leading industrialised countries.

Mr Leonhard Gleske, the Bundesbank director responsible for international monetary affairs, said in a speech in Manila last Friday that the main reason for the turbulence on the financial markets in October was the "unresolved problem" of US internal and external deficits.

But he labelled the success of the Louvre accord in stabilising the dollar as a "contributing factor". By keeping currencies steady, the accord "shifted the potential for tensions to interest rates, and eventually to share prices when the bond yields in the US looked sufficiently attractive to provoke a shift out of stocks into bonds," Mr Gleske said.

He firmly rejected suggestions, made during the past few weeks by Mr James Baker, the US Treasury Secretary, that a mild tightening of the Bundesbank's money market rates this autumn was responsible for the stock market slide.

THE Bundesbank has announced the appointment of a new director, Mr Guenter Storch, taking its policy-making council to 18. Mr Storch has been a member of the board of the Landesbank Girozentrale of the state of Rheinland-Palatinate.

Stressing its doubts about the possibilities of dollar stabilisation, the Bundesbank, during the whole period since the February Louvre agreement, has been only moderately active in intervening to support the dollar.

Its dollar reserves since the beginning of the year have risen by nearly $11bn. But only a small amount of the total has represented intervention purchases. Well over half the amount is understood to represent the central bank's receipt of dollar interest and other dollar income in connection with maintenance of US troops in West Germany. Normally, the Bundesbank would convert these proceeds into D-Marks, but it has refrained from carrying this out in view of the dollar's weakness.

A number of other central banks, led by those of Japan and Britain but also including countries like Taiwan, Sweden and Spain, have been intervening to buy dollars more heavily than the Bundesbank, officials point out. Thus, these countries played a more important direct part in maintaining the dollar rate than did West Germany in the months after the Louvre accord, they point out.

Although the Bundesbank stepped up dollar support intervention yesterday, in concert with other European central banks, its main priority is to steady currencies in the European Monetary System, where the French franc has been weakening again in the last few days.

The franc was fixed slightly higher in Frankfurt yesterday at DM29.41 per FFr100, between its EMS floor of DM29.15 and its mid point of DM29.816. This compared with DM29.38 per FFr100 on Monday.

Fast buck displeases Pravda

THE SOVIET Communist party newspaper, Pravda, yesterday urged the state to raise taxes on new co-operative businesses getting too rich too fast, Reuter reports from Moscow.

Pravda said that about 9,000 co-operatives employing 90,000 people had begun operating this year in a movement picking up speed under Mr Mikhail Gorbachev's economic reforms. But it claimed that they did not always show respect for "social justice" and the tax system allowed some individuals to amass "significant sums which do not correspond to their expended labour".

"Clearly the Finance Ministry must respond to such phenomena more quickly and flexibly."

According to Pravda, Moscow's first co-operative cafe paid only 3 per cent in taxes on a turnover of roubles 500,000(£500,000) since opening last March. It quoted the cafe's director as saying he would be able to pay 40-50 per cent of his revenues in taxes once the restaurant paid off a loan

Co-operatives should pay 13 per cent tax on profits earned on sales of manufactured goods and services

Nato looks anxiously beyond INF pact

By David Buchan, Defence Correspondent, in Brussels

THE IMMINENT agreement on intermediate nuclear forces (INF) is beginning to inspire in Nato as much anxiety about the next step in arms control as self-congratulation about the treaty's achievement.

This emerged from the regular autumn Nato defence ministers' meeting in Brussels which started yesterday. Mr George Younger, the UK minister, said the meeting showed allied "unanimity and enthusiasm" for the US position on long-range missile negotiations, which are expected to be high on next week's summit agenda of President Ronald Reagan and Mr Mikhail Gorbachev after they have signed the INF treaty.

However, Mr Younger added that there was a strong conviction among his Nato colleagues that "we should now be moving on to the details, the nuts and bolts," of how to negotiate a verifiable chemical weapon ban and how to correct the imbalance of East-West conventional forces in Europe.

He denied the alliance was afraid of being surprised by another Gorbachev arms control initiative. But Mr Younger and his colleagues yesterday called for immediate work within Nato for a "comprehensive concept" on arms control. "We need a logical game plan," he said.

Perhaps to convince the US that Europe was shouldering its share of the alliance burden, European ministers drew special attention in a communique after their meeting here on Monday to the 1988 addition to their forces. These included 250 tanks, 200 fighter aircraft, seven surface warships, three submarines and five minesweepers.

Mr Manfred Woerner, the West German Defence Minister, who is likely to become Nato Secretary General next year, warned that after the INF agreement, defence would not become cheaper. West Germany was ready to play its part in keeping up a strong defence.

CHIRAC CALLS VOTE OF CONFIDENCE IN PARLIAMENT

France denies UK hostage claims

BY IAN DAVIDSON IN PARIS

THE FRENCH Government yesterday indignantly rejected British criticisms, official and unofficial, directed against the French conduct of negotiations which led to the release of French hostages held by Iran.

Prime Minister Jacques Chirac's office expressed its "astonishment" at the British comments, and recalled that it was barely 10 days since Mrs Margaret Thatcher, the British Prime Minister, after a brief working meeting with Mr Chirac in Paris, had publicly expressed her gratitude for the professional manner in which French naval forces had intercepted the Panamanian cargo vessel Eksund II which was carrying weapons destined for the IRA.

Later in the day, the French Prime Minister's office surprised the political world by announcing that Mr Chirac would call for a parliamentary vote of confidence, to be discussed at today's cabinet meeting.

According to the communique issued by the Matignon, the Government needs such a vote of support to accomplish its tasks "of national interest", without being distracted by the timetable of the forthcoming presidential election in May. "In the coming months," it said, "the Government must face up to the problems posed by the monetary and stock market situation, contribute to a greater affirmation of European solidarity, and pursue its policy of security and economic recovery."

Mr Pierre Messmer, leader of the Gaullists in the National Assembly, told journalists that the Government needed to strengthen its position prior to the forthcoming European Community summit in Copenhagen.

Secondly, he said, Mr Chirac wanted approval of his recent actions. "The Prime Minister thinks he must verify the confidence of the majority in decisions he has taken in recent weeks during the stock market crisis, and, in recent days, in the hostage affair and France's relations with Iran."

Mr Chirac's move underlines the fact that that the prospects of an agreement at the EC summit are dim, with a real possibility that Mrs Thatcher will once again find herself in a minority of one.

Ten days ago, Mr Chirac was lyrical in praise of the convergence of British and French views on all major political issues, which he said contributed to the equilibrium of Europe. He is evidently not so lyrical today, in the face of Mrs Thatcher's undisguised hostility to the French hostage deal. Yesterday, Mrs Thatcher told Parliament she would speak out at the European summit against government deals with terrorists.

Chirac: less lyrical

Meanwhile, the Foreign Ministry issued a categorical denial of the report published in Britain in The Independent newspaper that France had secretly supplied military spare parts to Iran as part of the deal which led to the release of two French hostages held by a pro-Iranian group in Lebanon, and the subsequent swap of Mr Wahid Gordji, an Iranian interpreter suspected of complicity in terrorist attacks in France, and Mr Paul Torri, French consul in Tehran.

A Quai d'Orsay spokesman said the allegations were "totally without foundation", and he added: "One may well wonder what were the motives and the calculations of those who inspired them."

The insinuation of deliberate British malice was echoed in the leading article in yesterday's Le Monde newspaper, which asserted that the story in The Independent could only have been inspired by the British security services. Yet Le Monde was the first to assert, in last Saturday's edition, that the hostage deal included payment of a French ransom. Also the conclusion of yesterday's editorial was far from triumphant: if the Government quickly secured the release of the three remaining French hostages held in the Labanon, all criticism would be silenced, but if not, questions about the independence of the French judiciary and Iranian abuse of diplomatic immunity would become more pressing.

Yesterday afternoon, Sir Ewen Fergusson, the British ambassador, called on the secretary general at the Quai d'Orsay. The visit, which took place at his own request, was evidently intended to seek further clarification of the details of the hostage negotiations. The embassy declined to comment on the discussions.

Yugoslav debt proposals hang on IMF team visit

BY ALEKSANDAR LEBL IN BELGRADE

AN International Monetary Fund team is due to start talks with Yugoslav authorities today. Although the visit is a regular one under the enhanced monitoring arrangement with the IMF, it is significant since the Yugoslav programme for restructuring its foreign debt depends on the team's findings and recommendations to the IMF board of governors.

Both the Government and bank creditors have made their support for the programme conditional on the IMF stamp of approval.

The Yugoslav Government accepted in principle many of earlier recommendations of the IMF (as well as World Bank and other institutions), such as liberalisation of the exchange rate policy, of imports and even of prices, although it feels that the latter cannot be done at the moment.

The dinar depreciated last month by more than 40 per cent. Changes are pending which would to some extent make imports easier. Prices, after rising sharply, have been frozen for six months from November 15, and some are even back at their level of last October.

Wages and salaries have not been frozen but put under such strict control that they will fall this year by up to 20 per cent in real terms. A clampdown on domestic consumption has been decided to reduce inflationary pressures and increase exports.

Meanwhile, Belgrade has been trying to win support for its debt consolidation programme from friendly governments. It has won promises of help from the US Administration. It also received a favourable response from Bonn during a recent visit there by Mr Radivan Makic, a cabinet member. The subject will be discussed, today when President Lazar Mijsov meets President Francois Mitterrand in Paris.

Thatcher stands firm on farm spending controls

BY PETER RIDDELL, POLITICAL EDITOR

BRITAIN'S Prime Minister, Mrs Margaret Thatcher, last night insisted that "effective and binding control" over agriculture expenditure was an essential prerequisite to any agreement on the EC budget at this weekend's heads of government summit in Copenhagen.

She stressed Britain's insistence on adequate stabilisers, linking subsidies and production ceilings, on a product by product basis.

Mrs Thatcher re-stated the British position in discussions in Downing Street with Mr Poul Schlueter, her Danish opposite number, who chairs the summit meeting, and Mr Uffe Ellemann-Jensen, Denmark's Foreign Minister.

The two Danish ministers yesterday also held talks with Chancellor Helmut Kohl in Bonn and Mr Giovanni Goria, the Italian Prime Minister, in Rome as part of a last-minute effort to reconcile splits over EC finances.

The British view remains firm on the need for legally binding controls on farm spending rather than a temporary compromise.

Mrs Thatcher said that Britain still wanted to reach agreement this weekend since there would have to be a solution to the Community's budgetary problems at some time, so it made more sense to reach it now rather than wait to make another attempt next year.

Britain would also not agree to any change in the 1984 rebate agreement which would increase its net contributions.

Lagos sanctions row fails to halt Thatcher visit

BY MICHAEL HOLMAN, AFRICA EDITOR

MRS MARGARET THATCHER. the British Prime Minister, is going ahead with a visit to Nigeria in January despite a row in Lagos about the invitation from President Ibrahim Babangida.

The visit to Nigeria from January 7-8, which will follow a three-day stay in Kenya, was officially announced yesterday by the Prime Minister's office. There had been speculation that the Lagos leg of Mrs Thatcher's visit, her first to Africa since the 1979 Commonwealth conference in Zambia in 1979. would be called off.

News of her plans, disclosed in October, prompted widespread criticism from Nigerians angered by Mrs Thatcher's anti-sanctions views on South Africa, which were forcefully expressed at last October's Commonwealth conference in Vancouver. She also raised the ire of Nigerians - and others - by referring to the African National Congress of South Africa as a "terrorist organisation".

The Nigerian Government has none the less gone ahead with the invitation in part because President Babangida, head of black Africa's most powerful state, wishes personally to express his Government's opposition to Britain's South Africa policy. President Babangida did not attend the Vancouver summit.

But a further factor is the support Britain has given to Nigeria's economic recovery programme. Britain provided a short-term loan to fund the early stages of the country's foreign currency auction system, and earlier this year the Export Credits Guarantee Department agreed to restore cover to the UK's most important trading partner in black Africa.

AFRICAN leaders proposed radical measures to solve the continent's debt crisis yesterday including a 10-year suspension of payments to service its $200bn debt, Reuter reports from Addis Ababa. A special two-day summit of the Organisation of African Unity also called for all the debt to be rescheduled over 50 years, without interest, and asked for more aid and an international conference next year to discuss these proposals with Western creditors.

Mervyn de Silva reports on a new threat to Sri Lanka's stability

Colombo confronts southern threat

Seven members of a Tamil family were shot to death by police in eastern SriLanka yesterday and a Sinhalese mayor was wounded in an attack blamed on Sinhalese extremists,

The Tamils were killed at Muttur, seven miles south of the port of Trincomalee. Tamil rebels killed three Sinhalese policemen on Monday in Muttur. The mayor of Kurunegala town, Ariya B. Rakawa, was shot and injured, a police official said.

WHEN Mr Ronnie de Mel presented his eleventh budget to the Sri Lankan parliament on November 17 he established a remarkable local record. But equally noteworthy was the passage which ended his budget speech - a dramatic personal appeal to a guerrilla leader to lay down arms and join the mainstream of politics.

"I now call upon Mr Rohana Wijeweera, who has been known to me since 1962, to respond to this magnanimous offer" - President Jayawardene's offer to lift the ban on Mr Wijeweera's socialist extremist People's Liberation Front (JVP) and grant a general amnesty if he renounced violence. Mr de Mel had sound personal, political and economic reasons for his departure from tradition.

On December 4, when Sri Lanka's donors meet in Paris at a special World Bank-sponsored meeting, Mr de Mel will have a strong case for his request for about $400m to repair the infrastructural damage caused by the four year insurgency in the Tamil north and to rehabilitate 100,000 families. Indian troops have pacified the peninsula and the Tamil Liberation Tigers, though still defiant, are licking their wounds in the jungles outside Jaffna.

Nonetheless, Mr de Mel can expect to face a few awkward questions about an incipient youth insurgency in the Sinhalese south and the seriousness of the JVP threat to Sri Lanka's stability.

The political violence now sweeping the Sinhalese south is potentially a greater threat to Sri Lankan stability than Tamil separatism and is reflected in an extraordinary circulation battle between state-owned Lake House Press and its rival, Island Group.

On Sunday night a bomb exploded in the Kaduwela home of Mr Edmund Ranasinghe, editor-in-chief of Divaina, the mass-circulation Sinhala paper of Island, just outside Colombo.

Over the weekend, two policemen were attacked at Kotte, four miles from the city, and their rifles seized by unknown gang. An inspector of police died after a bomb attack on Saturday at Eheliyagoda, 50 miles south-east of Colombo, while armed men raided the home of an MP's private secretary in Panadura, 15 miles south of Colombo, and a former prominent JVP member was shot dead in Anuradhapura, 150 miles north of Colombo. Three policemen have been suspended for alleged links with the proscribed JVP.

An Island editorial this week entitled Towards Anarchy? said: "Political crimes and acts of political terrorism are on the march at a frightening pace. Assassination, bomb attacks and assault are as common in the south as terrorism was once in the north. Sometimes it is difficult to even trace from where such actions might have emanated. While leading government politicians are saying that it is not fair to blame the JVP for all incidents, there are now reports that the ruling party itself is mobilising its cadres to defend party men with arms.

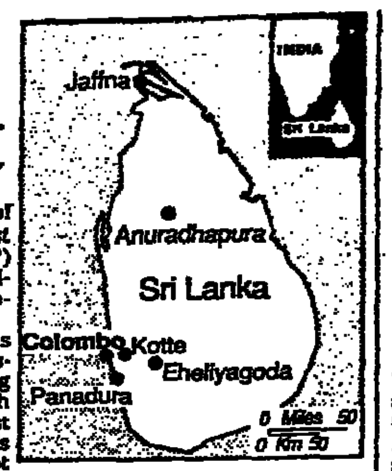
Lake House Press has become one of the largest publishing firms in the region. Today, it publishes five dailies, three Sunday papers (Sinhala, Tamil and English) and a dozen weekly and fortnightly journals. In 1973 Mrs Anura Bandaranaike's Government nationalised Lake House, now directly controlled by President Jayawardene, whose former private secretary, a one-time Lake House advertising manager, is now chairman.

The Divaina is a vigorous champion of Sinhala-Buddhist causes and an unrelenting critic, despite official pressures, of the Jayawardene-Gandhi peace accord. Its readership covers both the large conservative Sinhala middle class constituency of the Bandaranaike-led socialist Sri Lanka Freedom Party (SLFP) and the narrower, but more radical, lower-middle class discontented youth, the JVP's base.

Each morning, delivery vans take off on their island-wide distribution from the imposing Lake House building. In each van, riding shot-gun wild west fashion, are three armed guards in uniform. Recently they shot dead two youths who tried to stop a convoy on a lonely road a long way from Colombo. Police claimed the dead youths were JVP "subversives." The practice of using armed guards began after two Lake House vans were ambushed, the papers made into bonfire, the drivers assaulted.

The "subversives" soon found the newsagent an easier target than the distribution van. Young men called on newsagents who sold only Lake House papers and "persuaded" them that it was unpatriotic to do so. For the less receptive, violence and terror tactics (some bombs, a few killings) followed. The newsagents, especially in the JVP stronghold of the deep south, got the message.

Lake House tried to laugh it off but it was rattled. A front page pocket cartoon showed a "subversive" whispering in some innocent's ear. The caption underneath read: "Despite rumours that are being spread to misguide the public, readers are informed that the circulation of all our publications is being carried out island-wide as usual."



Since 62 officials of the ruling United National Party (UNP) have been killed in the south since the peace accord, police appeals not to sell or distribute Lake House papers are taken seriously. The quiet terror campaign in the village has touches of undergraduate humour, mischievous and macabre.

The target can save himself by announcing his resignation from party or office with a notice displayed on the wall of his home. The chairman of a local council did so, somewhat shyly, in small print. Below it appeared the following comment next day: "You were an art teacher for 30 years. Kindly express yourself more freely. We did not mean to cramp your style."

The privately-owned Island group and the Sun newspapers have been the obvious beneficiaries. Especially galling to Lake House and the Government is that mid-level UNP members are forced to announce their resignations by advertising the fact in Divaina. The result was inevitable: two Divaina delivery vans were ambushed and set on fire.

Vanuatu's government heads for re-election

By Chris Sherwell in Sydney

VANUATU'S ruling party appeared to be heading for victory yesterday in the South Pacific state's second elections since it gained independence from Britain and France as the New Hebrides condominium.

Unofficial results showed Prime Minister Walter Lini's Vanuatu Party had captured 17 seats. The opposition Union of Moderate Parties had won 11 seats in the expanded 48-member parliament, poll scrutineers said in Port Vila, the capital.

Official results are not expected before the weekend when the remaining 60 per cent of the vote will have trickled in to the capital from outlying points in the chain of 80 islands.

Father Lini, an Anglican priest who has led Vanuatu since independence in 1980, was returned comfortably, scrutineers said. The 45-year-old leader has drawn the ire of the political opposition and the West by opening diplomatic links with Libya and signing a fishing deal with Moscow earlier this year.

While immediate attention is focused on the size of the socialist-inclined party's majority, the real interest lies in the country's future leadership. Father Lini suffered a severe stroke earlier this year and there have been suggestions he would stand down.

Speculation is intense about a possible successor. The front runner is said to be Mr Barak Sope, the party's secretary-general, a supporter of Vanuatu's controversial links with Libya.

Earlier this year plans were revealed for the estabishment of a Libyan diplomatic mission in Port Vila. These have been postponed indefinitely, but some young Vanuatu men have received training in Libya.

Vanuatu was one of the first countries to make itself "nuclear free" by denying access to nuclear-armed or nuclear-powered ships. It is also a key member, along with Papua New Guinea and the Solomon Islands, of the so-called Melanesian "spearhead group", a diplomatic alliance which strongly backs French decolonisation of neighbouring New Caledonia.

Unfairness alleged in Korea vote

By Maggie Ford in Seoul

MR KIM DAE JUNG, the South Korean opposition presidential candidate, yesterday accused the ruling party of trying to buy votes, put pressure on opposition supporters and manipulate the media in the run up to this month's election.

The unfairness was now so widespread that if Mr Roh Tae Woo, the ruling party candidate, won the election, the result was likely to be unacceptable to the public, he said.

Echoing complaints made by Mr Kim Young Sam, the main rival opposition candidate, Mr Kim Dae Jung said that television film of the campaign was biased in favour of Mr Roh, and that government officials were actively electioneering on his behalf.

Family members of potential party supporters had been threatened with dismissal, with a visit from the taxman, or with the withdrawal of passports for travel abroad, he said during a speech at the Seoul Foreign Correspondents Club.

He called on the Government to replace the Ministers for Home Affairs, Culture and Information, Defence and Justice before the election to ensure fairness.

Voters living in cities polled by the influential Dong A Ilbo newspaper yesterday appeared to agree with Mr Kim's charges. Of those polled, 60 per cent thought the media was biased, and 57 per cent thought officials were intervening in the campaign.

Analysts believe that voters in rural areas have received most of the largesse. The city of Taejon is one exception. Many voters may be undecided and 54 per cent of those polled reported receiving a gift.

Emirates

The Financial Times on November 20 suggested in error that Emirates, the Dubai-based airline, had 10,000 seats to London each day. In fact, it has 181 per day.

Japan's jobless trend down

By Ian Rodger in Tokyo

JAPAN'S strong recovery since the spring has dispelled fears of a year ago that the country was developing a European-style unemployment problem as mature industries contracted.

Figures were released yesterday showing a third monthly fall in unemployment with the seasonally adjusted rate down 0.1 per cent in October to 2.7 per cent. The ratio of vacancies to job seekers, often taken as a better indicator of real employment trends, rose to 0.78 in October compared with 0.61 a year ago. It is now at its highest since December 1979.

The Labour Ministry said there were still pockets of high unemployment, but the overall trend was encouraging. Job offers were increasing in most sectors compared with a year ago - up 42.1 per cent in the transport and telecommunications industries, 40.6 per cent in manufacturing, 30.8 per cent in construction, and 20.6 per cent in services.

Most analysts remain optimistic about the economy. Japanese newspapers suggested yesterday the Government Economic Planning Agency would set a growth target of 3.7 to 4 per cent in the 1988 fiscal year compared to 3.5 per cent this year.

Hong Kong dispute on garrison persists

BY DAVID DODWELL IN HONG KONG

A DISPUTE between the Hong Kong Government and Whitehall over the size of Britain's army presence in the territory, and how costs should be shared up to 1997, could come before a UK Government Cabinet committee in the next two weeks, officials in Hong Kong revealed yesterday.

Foreign Office officials who support Hong Kong demands that Britain shoulder a larger share of the costs have faced deadlock, with Treasury and Defence Ministry officials reluctant to alter the present arrangement under which Hong Kong pays 75 per cent of the total cost of maintaining a British garrison in the territory.

Officials said they were puzzled by weekend rumours that Britain had agreed to raise its share of costs to 40 per cent.

The present defence costs agreement, which was signed in 1981 and expires in March next year, committed the Hong Kong Government to pay just over HK$1.7bn ($218.7m) this year out of the total HK$2.29bn garrison cost.

This agreement was reached after a protracted dispute, and officials in Hong Kong fear the new agreement, which is likely to chart defence costs right up to the transfer of Hong Kong's sovereignty to China in 1997, will be even more contentious.

Britain and China have agreed that until 1997, the police should assume responsibility for some of the roles performed by the current 8,000-strong garrison - including border patrols.

This will involve bigger police budgets and Hong Kong officials continue to hope that this extra cost can be offset against lower spending on the military.

In addition, politicians in Hong Kong have in recent years grown increasingly indignant at the UK Ministry of Defence's refusal to itemise the cost of maintaining the garrison.

This is partly because the ministry charges to the Hong Kong garrison, a number of notional costs linked to Britain's overall military spending.


Lufthansa Cargo

Yeutter urges closer Gatt ties for trade ministers

BY PETER MONTAGNON IN GENEVA

TRADE ministers should become more directly involved in providing political leadership for the trade liberalisation process in the General Agreement on Tariffs and Trade, Mr Clayton Yeutter, US Trade Representative, said yesterday.

Reviving a proposal originally launched before the current Uruguay Round of trade liberalisation talks, he told the Gatt annual meeting it was no longer possible to leave trade policy discussions to technical experts.

"The time has come seriously to evaluate whether greater ministerial involvement in the Gatt might not reduce the time spent in bilateral meetings and increase the likelihood of resolving differences," he said.

Greater ministerial involvement might also help establish a continuing process of negotiation that would not be based on distinct rounds of multilateral trade negotiations.

Mr Yeutter spoke as a succession of trade ministers welcomed plans for a mid-term review of the Uruguay Round to be held late next year, though several, including Mr Michael Duffy of Australia, and Mr Michael Moore of New Zealand, stressed the need for such a review to produce specific results.

Mr Mahbub Ul Haq, Pakistan's Trade Minister, said specific agreements reached by the time of the mid-term review could be made conditional on finalisation of the rest of the package by 1990 when the Uruguay Round is scheduled for completion. Agriculture, trade in services and, particularly textiles, should be included in the list of topics for urgent priority.

It appeared there was a silent compact between some developed countries and the highest quota recipients in the developing world to place the textile issue on the back-burner, he claimed. "We simply cannot accept this conspiracy of silence."

In an apparent effort to deflect pressure for speedier progress on agriculture, Mr Willy de Clercq, EC Trade Commissioner, warned there should be no special priorities in the Uruguay Round, with the exception of tropical products.

Liberalisation of trade in agriculture must be a gradual process, even if short term action is needed to stabilise markets. Total and unbridled free trade in agriculture was "not within our grasp. It is an illusion," he said.

● Japan will submit proposals for the reform of world agriculture to the General Agreement on Tariffs and Trade before the end of this year, Mr Sosuke Uno, Foreign Minister, said yesterday.

THE European Commission will seek compensation from the General Agreement on Tariffs and Trade if the Japanese Government does not implement a "comprehensive" reform of its liquor tax system, Ian Rodger writes.

Mr Andreas Van Agt, head of the EC mission in Tokyo, said the EC was looking for a rapid solution to the problem after a recent report of a Gatt disputes panel condemning Japan's liquor tax system for discriminating against imports.

Japanese Government leaders have hinted they would probably introduce legislation to revise the liquor tax system in 1989, with the reform taking place some time after that.

Mr Willy de Clercq, EC Trade Commissioner, and Dr Karl-Heinz Narjes, vice-president of the EC, will visit several Japanese government leaders this week, and the liquor tax issue is expected to be high on the agenda.

US move on Airbus dispute

THE US is expected to ask European governments today to accept a minimum price mechanism as part of a settlement of the dispute over Airbus airliners, **William Dullforce and Peter Montagnon write.**

Mr Michael Smith, US Deputy Trade Representative, is due to submit the proposal during talks among experts ahead prior to a key meeting in Brussels on December 11 between Mr Clayton Yeutter, the US Trade Representative, and Mr Willy de Clercq, EC Trade Commissioner.

The US has charged the four Airbus countries - France, West Germany, Britain and Spain - with unfair trading practices. It alleges government subsidies enable Airbus to sell its aircraft at cut prices in competition with Boeing and McDonnell-Douglas, the US manufacturers.

Both sides at their last ministerial meeting in London on October 27 agreed to try to defuse the dispute.

Mr de Clercq said yesterday that there was still a possibility of resolving the dispute.

Trade officials expect the December 11 meeting to agree an extension of talks into the New Year. Contrary to earlier expectations, ministers from Airbus countries are no longer scheduled to attend.

Peter Montagnon and William Dullforce on a thorny issue for Gatt

Moscow waits at the trade door

LITTLE HAS been heard in public of the Soviet Union's desire to join the General Agreement on Tariffs and Trade since it was roundly rebuffed by the US and some other industrial countries last year. Behind the scenes, however, the issue is far from dead.

Mr Mahbub ul Haq, Pakistan's Trade Minister, told a symposium in Geneva this week that Gatt should open its doors to the Soviet Union, reflecting the view of many trade policy-makers that in the medium-term Soviet membership of Gatt is not only likely, but also desirable if the organisation is to be a really effective policeman of the world trading system.

The issue of Soviet membership of Gatt remains overshadowed by the Uruguay Round of trade liberalisation talks. It is also a highly-charged political question. But more than discreet interest on the part of Moscow keeps the issue simmering. The debate also raises the question of whether Soviet membership would help Mr Mikhail Gorbachev, the Soviet leader, pursue his policy of market-orientated economic restructuring.

US rejection of the Soviet application was based on a desire not to disrupt the Uruguay Round, but also on a belief that Gatt rules simply cannot be adapted to a state-run economic system. This is an argument that is increasingly hard to justify as China edges closer to renewing its membership and is offering gradually to lift state control over key domestic prices.

Ironically, Chinese exports, which are likely to be increased by membership of Gatt, also pose more of a threat to world trade than those of the Soviet Union. Whereas Soviet export potential is mainly in raw materials and semi-finished products, China's strength is low-cost manufactured goods like textiles and garments, which have always been contentious in international trade politics.

Mr Willy de Clercq, the EC Trade Commissioner, drew a further distinction between the two countries yesterday when he said that China's membership application was already on the table, whereas the Soviet Union has taken no formal steps to apply.

But he refused to rule out Soviet membership for all time. "I'm concerned that Gatt should function well. That means it has to be as universal as possible. But it also has to be coherent and based on the principles of the free trade system."

A closer look at the issues at stake reveals an extraordinarily complex set of problems.

Gatt already includes state sector economies such as Poland, Hungary and Czechoslovakia. It is felt these can be accommodated because they are small and have little influence on the trading system as a whole. To admit

Mahbub ul Haq

a large Communist country such as the Soviet Union would alter the balance dramatically. It could mean Gatt making room for the Soviet way of doing things, not the Soviet Union adapting to Gatt's rules.

Gatt rules outlaw both quota restrictions on imports and arbitrary tariffs. In a state-run system, import volumes and prices for a given period are centrally planned. This implies both import restraint and that tariffs can be changed at will.

Again, how could Gatt determine whether a product manufactured in a state-run economy was being sold internationally without the benefit of subsidy? If it could not evaluate production costs, it would be unable to adjudicate on disputes over dumping.

The received wisdom in the West is that for all the fanfare surrounding perestroika and the greater freedom of Soviet enterprises to manage their own imports, the shift towards a market system is more apparent than real.

For many economists, belief in China's promises of market liberalisation is also an act of faith - though one worth taking, not least because of the potential for Western exports.

The inference of Mr Ul Haq's vision of a universal Gatt is that the organisation would have somehow to adapt its rules to cope with a radically different balance of membership. He made clear in his remarks this week that he believes a Gatt with universal membership would strengthen the institution and give it greater appeal to developing countries.

The US rejection of Soviet overtures suggests a fear that essential disciplines would be diluted, weakening the organisation.

It may not be too long before Gatt has to make a fundamental choice between these two interpretations.

Siemens in joint deal with China

By David Marsh in Bonn

SIEMENS, the big West German electrical company, is forming a joint venture with China to produce digital switching equipment as part of an attempt to boost the country's expertise in public telecommunications.

The deal, announced yesterday, also includes a plan for joint microelectronics production through a technology transfer accord.

Siemens will also build a technology centre in which 500 Chinese specialists a year will be trained by the German company.

The agreement appears similar to technology transfer deals over telecommunications which China has clinched in the past with other western companies such as the French Compagnie Generale d'Electricite group.

These steps follow a basic framework accord signed between Peking and Siemens in 1985 setting out plans for cooperation in electronics and engineering.

Siemens' Kraftwerk Union (KWU) power station division has also been in contact with the Chinese for several years over the question of building nuclear power plants in China.

Swiss arms group wins $2bn order

BY WILLIAM DULLFORCE IN GENEVA

OERLIKON-BUEHRLE, the Swiss armaments and industrial group, in association with Martin Marietta Corporation of the US, has received a crucial $2bn order from the US Army for its Adats low-level anti-aircraft missile system.

The Pentagon contract for the Adats has been won in competition with British Aerospace's Rapier, the Liberty developed by France's Thomson CSF and the French-German Paladin. The order is decisive for the future of the Swiss concern, which expects to show a loss for the second year running in 1987.

Oerlikon and Martin Marietta have contracted initially to supply 170 Adats systems to equip four US army divisions. Altogether, the Pentagon expects to buy 572 systems over 10 years.

Adats won its first order last year for 36 units to equip Canadian forces stationed in West Germany. After that contract Mr Michael Funks, Oerlikon's managing director, said it would have to sell a further 300 to turn a profit on its SwFr700m investment in developing the system.

Yesterday, the Swiss company described the Pentagon contract as a decisive breakthrough, opening the way for orders from other Nato countries. Oerlikon is already negotiating with Turkey.

The first 60 units for the US Army will be manufactured in Canada by Oerlikon Aerospace, the subsidiary established there to handle the Canadian order. The remainder will be built by Martin Marietta.

Canadair's C$410m deal

BY ROBERT GIBBENS IN MONTREAL

CANADAIR, Canada's largest aerospace group, is to manufacture unmanned airborne surveillance systems for the West German and French armed forces under a C$410m contract with the governments of Canada, Germany and France.

Canadair, a world leader in surveillance systems technology for 25 years, is prime contractor for the initial production order for the CL-289 system, with Dornier of West Germany main subcontractor. SA de Telecommunications of France is supplying the optronics.

Amec wins $130m gas contract in Turkey

By David Barchard in Ankara

AMEC International of the UK and Kutlutas Insaat of Turkey have won a $130.2m turnkey contract for the first stage of converting the Ankara gas network to use Soviet natural gas.

The deal is the largest civil contract won by a British-led consortium in Turkey for more than a decade. The meagre list of large British contracts in the country since World War II includes the first Bosporus Bridge and one or two power stations.

Amec's victory was undoubtedly assisted by the fact that the feasibility study for the conversion was carried out by British Gas and submitted in March this year.

During the last few weeks the Ankara Municipality twice asked bidders to reduce their prices. The provision of very soft loan terms seems to have been chiefly responsible for Amec's victory over a strong challenge from Italgas of Italy.

Britain is making £69.6m available at 1.75 per cent over 20 years with a five year grace period. This covers 85 per cent of the UK element in the construction cost.

The conversion of the city's network to natural gas is seen as the solution to pollution problems in Ankara and other major cities. Ankara has the worst atmospheric pollution of any European city.

Turkey is importing 600m cubic metres of Soviet natural gas this year, with the extension of a pipeline from the Bulgarian border to Ankara. The government plans to extend the pipeline to Kayseri, Konya, and other central Anatolian cities in the next five years.

Purchases of Soviet natural gas will rise to 3,200m cubic metres by 1990 and eventually to 6,000m cubic metres.

A similar award to convert the Istanbul gas network to natural gas has been awarded to SAE (Societe Auxiliare d'Entrises) of France and Alarko of Turkey at a cost of about $184m.

Turkey plans to use more than half of the imported gas for generating electricity, and about a quarter of it for industry.

Payment for 70 per cent of the gas is being made through a barter agreement. Several Turkish construction companies are negotiating deals to build hotels and other projects in the Soviet Union under the barter agreement.

Sharp falls in new car sales forecast for W Europe, US

BY JOHN GRIFFITHS

SHARP FALLS in new car sales next year in the US and Western Europe are being forecast by senior motor industry analysts, in the wake of the stock markets and dollar collapse.

Consultants DRI Europe, in post-crash revisions to the World Automotive Forecast Report it published only last month, says it believes Wall Street's collapse will reduce US sales by 700,000 compared with DRI's original forecast of 10.56m units.

However, Mr John Lawson, of the Nomura Research Institute, is taking a more gloomy view. He predicts that the US market will plunge to 9.2m units next year, down nearly 20 per cent on the 11.4m units achieved in 1986, with European luxury car sales experiencing the sharpest decline in percentage terms and their manufacturers having to put up prices by 20-25 per cent over the next two years.

Demand in Western Europe is likely to drop by about 500,000 units to 11.6m, according to DRI, while Nomura's analyst expects a fall of about 600,000 units.

Even DRI's revised forecasts were made in advance of Monday's further collapse of both markets and the dollar.

But the renewed markets weakness appeared to bear out DRI's contention that "the dollar will continue to slide with or without Group of Seven action, causing a reassessment of the global balance of automobile production".

Even the lower level of US sales will be achieved only by buyer incentives, predicts DRI.

> **'For the first time in years, Japanese manufacturers are facing inventory problems. Even the Europeans have launched incentive programmes'**

The situation is being exacerbated by General Motors, with its shrinking market share, being unable to afford another bad sales year.

Already, "for the first time in years, Japanese manufacturers are facing inventory problems," DRI points out. "And even the Europeans, including Daimler-Benz, BMW and VW, have recently launched major incentive programmes."

Meanwhile, the Japanese, facing a stagnant home market, could expect to increase US sales from 2.6m to 3.4m over the next five years "by increasing manufacture in the US by almost 1m cars a year, yet dropping imports by only 200,000 units".

However, DRI predicts this can be expected to lead to over-capacity in Japan "in the next two to three years", a threat which the Japanese would meet - initially at least - by building fewer cars rather than shutting plants. About 10 per cent of Japanese output is produced on overtime, according to DRI's estimates.

For the European market, Mr Lawson suggests, the intensified competition will mean a 15-20 per cent drop in US unit sales "and substantial profit pressures".

Lower demand in Europe will lead to production dropping by 444,000 units next year, to 11.9m, DRI predicts, with West Germany bearing the brunt of the cut.

West Germany's predicted output drop, to 4.1m from 4.5m, reflects both a fall in demand in its domestic market and the US, its single largest export market.

Production in the UK is seen as a bright spot, despite DRI's forecast that next year's new car market will drop back sharply, to 1.82m from this year's expected record 1.97m.

The output improvement, says DRI, will stem from Ford and Vauxhall sourcing more cars domestically, Peugeot Talbot starting production of the Peugeot 405, Nissan's UK-assembled cars reaching 60 per cent local content and thus qualifying as "British", and higher production by Rover and Jaguar, particularly for export markets.

As a result, production should rise from 1.17m units this year to 1.24m in 1988, to reach 1.4m in 1990, "thus regaining its fourth place in the European car output league", previously lost to Spain.

DRI expects Japanese penetration of the European market to grow only slightly, while the European Commission prepares overall import restrictions in preparation for the planned EC market harmonisation in 1992.

Fiat tipped to lead market

BY JOHN GRIFFITHS

VOLKSWAGEN will lose its leadership of the West European car market to Fiat next year and in 1989, according to calculations by DRI Europe analysts.

New Fiat products, notably the Tipo to replace the Ritmo/Strada hatchback and a "Type 3" model to replace the Regata saloon, will draw more sales away from VW's best-selling Golf than can be offset by VW's new Passat model, also to be launched next year, DRI predicts.

However, the contest is forecast to become increasingly heated throughout the next five years, with the Peugeot group also seeking to challenge for top spot.

Renault is predicted to lose ground until its new medium-sized cars to replace the 9 and 11 are launched late next year. A similar fate is forecast for General Motors and Ford.

However, industry figures show that VW, including Audi and SEAT, continued to lead the market in the first 10 months of this year, with a market share reaching 15 per cent for the first time, compared with 14.4 per cent for the Fiat group. Ford was third with 12 per cent. Japan's share stood at 11.4 per cent.

Swedish pulp export warning

BY SARA WEBB IN STOCKHOLM

SWEDISH pulp and paper producers are warning that the falling dollar will mean tougher competition from North American producers selling in Western Europe, which could lead to a loss in market share for the Swedes.

"If there is a recession and demand for pulp weakens, we will lose our competitive edge against the North Americans, especially since we have higher costs," said Mr Bo Wergens, director-general of the Swedish Pulp and Paper Association yesterday.

A steep fall in the dollar would influence prices quoted in the European market in pounds sterling and D-marks, he added.

The Swedish pulp and paper producers are also concerned over what the dollar's weakness may mean in terms of economic growth internationally, as paper consumption is closely tied to economic growth.

Western Europe accounts for 75-80 per cent of Swedish pulp and paper exports, while the US only accounts for about 5 per cent of Swedish exports, mostly for newsprint. The Association expects the export value of paper and board to total SKr26.5bn in 1987, with SKr10bn for market pulp.

So far, the Swedish producers have not been hurt badly by the dollar's fall as demand for pulp has been strong and prices have risen this year, helping the Swedish companies to report large increases in interim profits.

The D-mark has also increased in value relative to the Swedish Krona, which means that the Swedes have earned more from their DM-quoted sales.

However, the Swedish pulp and paper industry has tried to become less dependent on pulp

BP's move into Spain irks local industry

By David White in Madrid

PLANS by British Petroleum to set up a joint distribution company with one of Spain's five refiners, Petromed, has caused rumbles of discontent in official and industrial circles. The move comes as Spain faces difficulties with the European Commission over its oil distribution policy.

The Industry Ministry and Spanish oil companies are seeking clarification of the proposed link. BP may take a 15 per cent stake in Petromed.

BP said it had informed both the Spanish Government and Brussels about the plan and that neither the joint company nor the possible shareholding interest needed government authorisation.

BP intends to set up the joint company early next year. It will distribute whatever oil products Spanish law permits, starting with lubricants and aviation and marine fuel. Spain has a transition period until the end of 1991 to phase out its 60-year-old petrol distribution monopoly.

The British company said its strategy would depend on future government regulations for service stations. It said no decision had been taken on an equity participation in Petromed, which is controlled by the Banesto banking group.

Industry representatives said the BP plan threatened to bypass the joint distribution structure set up through a reorganisation of the Campsa monopoly, and ease the way for BP and other foreign companies to enter the Spanish petrol market. It could also be an obstacle to a merger between private sector Spanish refiners, which have been rethinking their strategy in view of impending liberalisation.

- Petromed is a shareholder in Campsa, with three other private sector refiners and the recently renamed state group Redi. Campsa will continue to distribute their products to a network of service stations. The refiners themselves also operate service stations.

The aim of the Campsa reform, carried out three years ago, was to strengthen the position of the Spanish petrol distribution industry and to oblige foreign competitors either to set up their own distribution infrastructure or to negotiate agreements with Campsa.

Israel telecoms deal

The US Export-Import Bank has agreed to back a $15m sale of telecommunications equipment to Israel, **writes Nancy Dunne in Washington.**

The deal involves Tadiran of Tel Aviv, Israel's largest electronics manufacturer, using US equipment to provide cable television to Israeli cities.

US suppliers involved include Atlanta Signal, R-Tec Systems, GTE Telecom Division and Motorola.

Contras outline Nicaraguan ceasefire plan

BY PETER FORD IN MEXICO CITY

NICARAGUAN REBEL leaders yesterday proposed a five-week truce in their war against the Sandinista government, but demanded that Managua dismantle its army among other steps to bring peace to Nicaragua.

President Daniel Ortega said his government would "analyse the Contra plan, look at it very closely". However, the Sandinistas seem highly unlikely to accept demands that they disband their army or their grass roots party structure in return for peace.

A Sandinista negotiating team is expected to discuss the Contras' proposal in a first round of indirect talks with the rebels in the Dominican Republic later this week.

Ortega - no quick fix

The Dominican Republic earlier this week agreed to provide the site for ceasefire negotiations. Finding a meeting place acceptable to both sides has been a serious obstacle to the proposed talks on a ceasefire - a key element of a regional peace plan signed on August 7 in Guatemala by the presidents of the five Central American countries.

Major Ricardo Wheelock, the Sandinista military intelligence chief leading Managua's negotiating team, said he would not meet face to face with the Contras. This objection is to be overcome by using Nicaraguan Cardinal Miguel Obando y Bravo, as a mediator. He is due to fly to Santo Domingo on Thursday.

The rebels are expected to send members of a ceasefire commission to discuss their plans, which call for Managua to lift its state of emergency, release all political prisoners, end the military draft, suspend food rationing, and dismantle Sandinista defence committees, revolutionary neighbourhood organisations.

The rebels are also suggesting that the Sandinista army should disarm itself gradually, along with Contra troops, prior to the creation of a new, smaller national army.

Meanwhile, Contra soldiers would remain in place throughout the half of the country in which they claim to operate.

Last month, President Daniel Ortega announced a ceasefire proposal under which the Contras would gather in three designated zones to hand in their weapons under international supervision before taking an amnesty.

Leading indicators in US fall 0.2%

THE US index of leading indicators fell 0.2 per cent in October, the Commerce Department said yesterday. It was the first decline in nine months for the government's chief economic forecasting tool, AP reports from Washington.

The decrease was a smaller setback than many economists had been expecting, considering the record 508-point drop in the Dow Jones industrial average on October 19.

In addition, the September figure, which initially had been reported as a 0.1 per cent decline, was revised upward to show no change at all.

The index, comprised of 11 forward-pointing business barometers, has taken on new importance since the collapse of the stock market as analysts search for signs of whether a recession might be on the way.

In the past, three consecutive monthly declines in the leading index have sometimes signalled an impending recession.

Some analysts are forecasting that the economy will be in a recession by the first half of 1988. Others contend that the plunge in the stock market is only a sign of slower economic growth.

The latest economic data show that in the third quarter before the crash the US economy was moving ahead strongly.

Strike-bound Air Canada lays off pilots

AIR CANADA began laying off pilots and flight attendants yesterday as all operations ground to a halt because of a six-day strike by 8,500 mechanics, baggage handlers and other ground staff, AP reports from Toronto.

The strike about inflation-protected pensions closed down Canada's leading air carrier, which normally serves 30,000 passengers a day on 450 domestic and international flights.

Contract talks between management and the International Association of Machinists and Aerospace Workers broke down on November 15 and no further talks are planned. The final Air Canada flights from international destinations were expected home Monday, completing the shutdown.

Mr Pierre Cadieux, the Federal Labor Minister, said he would appoint a mediator if the two sides agreed to resume negotiations, but Mr Ron Fontaine, the union leader, said there was no point until Air Canada had agreed to some form of indexed pensions.

The union is demanding protected pensions.

A slick Soviet PR machine has taken Washington unawares, Stewart Fleming reports

Gorbachev peace offensive draws first blood

A DIET of unremitting cold war propaganda in the early years of the Reagan Administration has left the American public ill-prepared for the peace offensive launched from the Kremlin's Council of Ministers building on Monday night by Mr Mikhail Gorbachev, the Soviet leader.

"Gorbachev up close and affable" was the judgment offered this morning by Mr Tom Shales, the Washington Post's television critic, in his review of the Soviet leader's hour-long television interview in Moscow with Mr Tom Brokaw of the NBC television network which was broadcast nationwide on Monday night. "Tough but co-operative," was how the New York Times described his performance.

The adjectives used to describe Mr Gorbachev's performance may vary. But the judgment of the first extended television interview Mr Gorbachev has granted an American television reporter remains the same. In the pre-summit propaganda war which is now in full swing Mr Gorbachev has drawn first blood, outcommunicating the Great Communicator himself in his own backyard.

On the same day Mr Gorbachev's charm was oozing into American living rooms: "I have felt....an immense desire of the American people to change the situation in the world for the better," he told an audience he referred to as "my American viewers".

President Ronald Reagan, still on the defensive, had chosen to try to rally fading support among right-wing Republicans and buttress his negotiating position with his Soviet rival. Addressing the conservative Heritage Foundation, Mr Reagan found himself promising to deploy the strategic defence initiative and begin what many of Americans fear weill fit Mr Gorbachev's description of "the militarisation of outer space."

Reagan and Gorbachev at their last meeting during the Reykjavik summit

While Mr Reagan was painting the Soviet Union as a nation which violates human rights at home, makes war in Afghanistan and threatens American security in Nicaragua, Mr Gorbachev was appealing over the President's head to the American people for the start of a new era of US/Soviet relations.

Why not, he was asked, go for a great reduction in nuclear missiles and make SDI unnecessary? "Well, that precisely is what I suggested to President Reagan in Reykjavik," retorted the quick-witted General Secretary of the Soviet Communist Party.

Animated, a wry smile playing around his lips as he spoke, Mr Gorbachev looked anything but the leader of an "evil empire". No doubt he went too far when he pleaded with his audience: "Why can't we be allies now? There are so many problems in the world. Can't we join, pool the enormous might of our countries' economic and intellectual capacities to resolve these problems?"

Americans are always ready to welcome a visitor bearing an olive branch, but they are not yet soft-headed. Neither will they have missed the hint of the tough Communist Party boss which surfaced when he suggested that America is "organising a brain drain" from the Soviet Union when it calls for freedom of emigration from the Soviet Union.

Nor will they have missed the hint of Soviet insecurity when he boasted about Soviet food consumption and criticised America's failure to provide health care and full employment for its citizens. Americans look at these issues through different eyes and will not give Moscow the benefit of any doubts they may harbour.

But there were few false notes in a performance which must have left Mr Reagan's advisers green with envy. Their man has been hiding from the American press for most of the past year and they are even now not quite sure they can trust him to carry off a post-summit press conference, so ill at ease is he with the technical and factual details of the topics which Mr Gorbachev has mastered. (Mr Gorbachev has already booked his press conference slot.)

Soviet experts in Washington who have experienced Mr Gorbachev's charisma have warned that if he uses the public platform too effectively in his first visit to America he could weaken Mr Reagan's position in the debate over defence spending at home as well as at the negotiating table. Unlike Mr Nikita Kruschev or Mr Leonid Brezhnev, who also visited the US, Mr Gorbachev does not come across as a threatening or implacable foe.

The struggle to influence American and world public opinion in the summit context is only just beginning. But there may well be relief in high places that Mr Reagan's desire to take Mr Gorbachev on a tour of the country is unlikely to be fulfilled.

A plunging stock market and a New York Times/CBS poll showing that for the first time in four years Americans disapprove of Mr Reagan's handling of the economy and foreign policy are an inauspicious background for such a venture. And Raisa has not even joined her husband on the summit stage.

Sarney backs away from Brazil wealth tax plan

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil appears to have overruled plans by Mr Luiz Carlos Bresser Pereira, Finance Minister, to introduce the country's first ever wealth tax.

A scheme to impose the new tax was first outlined last month as part of a package of fiscal measures aimed at raising government revenues and reducing the public sector deficit. But it immediately provoked a furious reaction from taxpayers and politicians.

In an apparent attempt to reduce resistance to the overall package Mr Ronaldo Costa Couto, the chief government spokesman, said earlier this week that the wealth tax had been dropped by the President.

Last week, an alliance of Congressmen from parties from left to right threatened to launch a constitutional challenge to the fiscal package, on the grounds that it preempted tax reform provisions now under discussion.

Mr Guilherme Afif Domingos, an influential Sao Paulo deputy, said that Congress may attempt to veto any tax measures imposed on the country under the President's draconian decree law powers. Such a move would create a new climate of tension between the legislature and Mr Sarney.

But Mr Bresser, speaking in New York, refused to rule out the tax. He emphasised that the aim of the fiscal reforms was to introduce a fairer system that would exempt the low-paid altogether from the tax net. While the wealth tax was not essential, it formed part of the effort to introduce a "more socially just", system, he said.

Brazil is notorious for having one of the most unequal wealth distribution profiles in the world. According to World Bank figures, the richest quintile of the population has some 66 per cent of the country's total income, while the lowest quintile commands just 2 per cent.

●Governor Fernando Collor de Mello of the north-eastern state of Alegoas has decided to defy a Supreme Court order requiring him to lift a ceiling on the pay of top civil servants.

The governor, who imposed the ceiling last March, said he did not have the resources to offer back-pay to the so-called "maharajahs", some of whom would earn $13,500 a month under the ruling.

Thorny questions raised by Latin America's debt hopes

Stephen Fidler looks at the arguments on using secondary market prices to revalue Third World bank repayments

THE SUMMIT meeting of eight Latin American developing countries in Acapulco at the weekend has brought the secondary market in bank loans to developing countries once more to the forefront of the debate about the Third World debt crisis.

With an increasingly unified voice, the main debtor countries of Latin America are looking to ease their debt burdens by seeking recognition of the big discounts to face value indicated by prices for loans in this secondary market.

The value of Peru's debt, for example, is indicated at a mere seven cents to the dollar; that of Brazil, the biggest debtor, at about 50 cents.

As Mr Enrique Eglesias, Uruguay's Foreign Minister, said: "The market says the Latin American debt is not worth $400bn (£220bn) but $200bn... If we believe in the market, then why don't we follow it?"

Following the market slavishly, would be the equivalent of allowing a tiny tail to wag a huge dog, say bankers worried by this development.

Current estimates of the volume of Third World loans traded suggest total trade is running at between $12bn and $15bn a year. This is significantly up on the figure a year ago, perhaps as much as double, but it suggests that a tiny proportion of the total market volume is traded.

All secondary markets provide a valuation for a stock of assets based on trading of a marginal amount of those assets, but the ratio between trading volume and the stock of assets in this markets is extraordinarily low. Compare it, for example, with the New York Stock Exchange, where on an average day (not year) some $10bn worth of shares are traded, affecting the value of about $2 trillion (thousand billion) in assets.

It is a point which has been recognised by accountants. The American Institute of Certified Public Accountants, for example, has said secondary market prices are "based on values established in a thin market, which might not be the best indicator of the fair value of the underlying assets."

The thinness of the market is accentuated by the accounting problems faced by banks in trading loans.

They are particularly acute for banks in the US, where the problem of having their loan portfolios "contaminated" by sales of loans has not been resolved. Contamination implies that all a bank's loans to a certain country should be valued at the same price as those it has sold in the secondary market. The question is whether a bank's loan portfolio should be regarded as an investment - and marked to a market price daily - or as a loan portfolio which is held to maturity.

This problem has meant that outright sales for cash by banks into the market are rare. Much more common is the use of the market by banks to "rationalise" their portfolios, moving out of those countries which they view negatively or with which they see no future business links and moving into those that they favour.

A number of banks, noting Poland's good record on paying debt interest, have recently swapped out of Latin American debt and into cheaper Polish loans.

The other main trigger to trading is debt-to-equity swap programmes, such as those operated by Chile, Mexico and the Philippines. Where active programmes are in place, fairly active trading follows in these countries' debt. Nevertheless, the volumes of debt-equity swaps are limited and many debtor countries - supported by a number of academics - are worried about the economic effects of too much swapping of debt into equity.

The market's main problem at the moment is simply the lack of new buyers. There have been attempts to interest investors into the market with offers of high yields, but there have been few takers. Attempts to interest buyers of US junk bonds with Third World debt have so far foundered, nor have they been inclined to swap their Third World debt exposure for junk bonds.

That leaves the impression of a huge wall of sellers and a tiny number of buyers, most of which are tempted into the market by debt-to-equity swaps.

That does not mean that prices move ever downward, however. They went into a significant downswing earlier this year, after large banks in the US and UK started to boost their provisions for Third World debt, but in the last month prices have actually been hardening.

It is not clear yet whether this is an end-year market hiatus, or results from a feeling that prices are going to improve next year.

Hickson: in search of chemical reactions

Christopher Lorenz explains how the UK group transformed a halting approach to Europe into a clear strategy

target europe

Hickson Intl

WHEN A merchant bank telephoned the Yorkshire headquarters of Hickson International a year ago and offered it the chance to buy Sayerlack, a leading Italian company in one of its prime target sectors, Hickson's paradoxical reaction was "this doesn't look a natural for us."

Yet in August, after seven months of intensive research and negotiation, the delighted British chemicals company closed the £13m deal. The London stock market hailed it as a breakthrough, signalling Hickson's emergence as a real force in continental Western Europe.

So why the doubts? John Marvin, the managing director, recalls the deliberations of the time quite openly. For Hickson, a medium-sized supplier of a wide range of chemicals and timber treatment products, the acquisition would meet two of the objectives laid down in its strategic plan: further expansion in Europe, and diversification of its timber treatment business from preservation and coatings for exterior wood into coatings and finishes for furniture components and other "interior" timber.

Aware of dangers

The trouble was, "we'd planned to make this product diversification at home, under our own wing, so to speak," says Marvin, who earned his spurs at Hickson's much larger chemicals competitor ICI; he is all too aware of the dangers of diversifying into new product markets and new geographic areas at the same time.

Failing a UK move into interior coatings - and Hickson was starting to conclude that no British takeover candidate in the field was strong enough - the company's inclination was nevertheless to make the diversification through an acquisition in the US. Most of its overseas ambitions, in both timber protection and its other chemicals businesses, have been focussed on the large US market in recent years, as the 1986 annual report made eminently clear on page after page.

"We were also disturbed initially at the Italian proposal because we felt that making an acquisition there would bring a lot of problems with it," admits Marvin. But when it was discovered that the founder of Sayerlack, Giancarlo Cocchi, wanted to stay on as part of a strong international group (and that he used the same firm of auditors as Hickson), the doubts began to disappear.

Marvin's initial caution notwithstanding, the episode represented a departure from Hickson's previous pattern of European expansion, which can only be described as halting and more than a little defensive.

A good fifth of the company's sales of organic and inorganic chemicals (£80m in 1986) have been in continental Europe and Scandinavia for well over a decade - with a further 10 per cent in the US. But its separate timber protection business, with total world-wide sales of £45m last year, is a relative European novice.

This is partly because of the very different nature of the two businesses. Many of Hickson's chemicals are in mature parts of the market, where supply is concentrated in the hands of a few international companies (Hickson is the world leader in several of its products).

In the much more fragmented timber treatment business, only 8 per cent of Hickson's sales went to the continent and Scandinavia a decade ago, with just 6 per cent in the US. By 1986 the European proportion had tripled to 25 per cent, and the US share had risen to 16 per cent. The Italian take-over will immediately add at least another £17m of sales to last year's continental total of £11m.

Much of this increase in Europe to 1986 was achieved by direct exports from the UK, mainly through small agents, but with two major exceptions: direct sales in Scandinavia, and a distribution agreement with Rhone-Poulenc, the French chemical major, for Belgium and France. John Marvin chooses his words carefully, but this arrangement clearly no longer gives Hickson sufficient sales. "At the start, deals of this sort (with big companies) look rosy," he says. "But the future of this relationship must now be questioned."

Its decay helps explain the reversal in 1984 of the previous Hickson policy of not investing directly on the continent. But a different form of defensiveness also explained its first two small take-overs there, in 1984 and 1985. First came a Benelux timber treatment company, acquired partly as a base for future European expansion, but also because it had started to make its own products, having previously bought from Hickson.

"The original management was given two years to run, but failed to perform," says Marvin - though he admits that the Yorkshire headquarters' preoccupation with its American expansion (via a 1985 takeover) also contributed to the slowness of growth in Europe. A new (local) man was put in last year, when Hickson also changed the top management of its international timber protection business: this is now handled as a global division, with an experienced international marketing man at its head.

In 1985 Hickson bought Doelfray, a Dutch maker of decorative wood stains, largely out of concern lest it be acquired by a competitor; Hickson had already been taking a quarter of its output. Doelfray had developed its sales much more rapidly than its Benelux compatriot company, and Marvin is more pleased with its progress.

Since Marvin took over as managing director in 1985, this halting approach has been transformed into a clear strategy for "doing much more in Europe - the moves we'd made are just a prelude," he says.

Apart from a possible shift to a direct sales network, one of the main aims is to improve local service support. Though the basic chemicals used in any timber treatment can be easily exported across frontiers, the range of treatment formulations, and methods of applying them, continues to vary widely from country to country because of different types of timber and building practices. In the company's new field of lacquers and stains, entered via the Sayerlack takeover, "you definitely need a local presence," says Marvin.

Fragmentation also applies with a vengeance to government environmental regulations over the sale and use of timber treatment chemicals, which can be hazardous to health if used carelessly - an issue which has been causing much controversy in the British timber treatment industry this autumn because of several cases of alleged toxic poisoning.


John Marvin: recognises dangers of diversifying into new product markets and new geographic areas at the same time

Regulatory problem

With the exception of West Germany, which discourages the sale of one type of arsenic-based timber treatment, the problem of regulatory fragmentation arises less from national variations than from the reluctance of most European Community countries to recognise registration by each other's authorities.

Under an EC directive issued a decade ago, harmonisation of national approvals systems for timber treatment should have already taken place. But "only France has taken the principle of EC registration to heart," complains David Anderson, technical director of Hickson World Timber. "For the rest, the absurd thing is that you end up having to supply the same data to each country."

As for the Community's notorious customs controls, John Marvin says: "They don't just give our export department headaches, but nausea."

Yet Marvin sees such factors as maddening irritants, rather than as serious competitive barriers. Much more significant, he says, is the company's own need to research European market differences and distribution patterns with great care - something it has not always done well in the past.

In no sense, for Hickson's range of businesses, does Marvin see Europe as an actual or potential "home market". As he puts it, "building scale in Europe doesn't help us. We're in international businesses, and the United States is far more important than other markets. It's the *world* that is our stage." *Previous articles in this series appeared on October 14, 21, 28, November 3, 13, 18 and 25.*

What do directors do?

Michael Skapinker reviews a book on the role of board members

A NEW OFFICE, a new car, a new title. Becoming an executive director should be a high point in any manager's career. Instead, many new arrivals to the boardroom are haunted by one question: what does a director actually do?

Companies often run induction programmes for new employees. Few run programmes for new directors. Companies assume that appointees to the board will automatically know what is expected of them.

Many do not have a clue. They have spent their working lives in finance, or marketing, or production. They have devoted their careers to becoming "more and more specialist and more and more valued," said one British managing director.

"Then you are finally promoted to the board, get your title and all the perks, only to find that it's a hollow joke. You are suddenly expected to be omniscient. You are meant to know everything about everything. The truth is that you know a lot about very little because you have become so specialised. Yet there seems to be no way of saying 'help!'"

The problem is not just a British one. The chief executive of an American food processing corporation said: "If I had known just how unsupportive people would be, I'm not sure I would have taken this job. It's the one area where it is assumed that no training is needed, so no training is provided. What makes it worse is that everyone assumes you know what's going on. It's the most lonely and frustrating of positions."

Bob Garratt, the management consultant who collected these two quotes, says that he has heard similar tales of woe from directors in continental Europe, Hong Kong, Malaysia and even China.

In his new book* he argues that companies need an explicit strategy to develop their directors. A central element in that strategy should be to get directors to stop concentrating on their own area of expertise and to acquire an overview of the whole organisation, its operations and its markets.

Directors who fail to do so, and therefore feel inadequate in their new role, often go back to doing the work they did before they were promoted. This is deeply frustrating for the person who has since taken over the director's old position.

Directors need to do more, however, than simply develop a comprehensive picture of the company's business. They need to anticipate those changes on the international, national and industrial scene that could have an impact on their organisation.

They need to devote more time to reading, thinking and talking. Many directors, however, feel guilty about such activities. They feel they ought to be doing something.

In helping companies implement development programmes, Garratt says he finds, too, that directors often prefer to deal with factual and statistical information. They become uneasy at the mention of words like 'political', 'ecological' or 'anthropological'. "So I rarely use them, at least during the early stages of a project," Garratt writes.

It is more productive, he says, to concentrate on "small, incremental, behavioural changes (which) can have an impressive cumulative impact. Even acts as simple as reading a serious newspaper before starting work each day and then debating items of interest at coffee or lunch can have a liberating effect on directors. It begins to show, both privately and publicly, that it is legitimate for directors to take an interest in the outside world."

Having emphasised the importance of taking things step-by-step, Garratt, unfortunately, then proceeds to ignore his own advice.

While the first part of his book is a lucid and evocative account of the difficulties faced by new directors, the second is a melange of diagrams and arrows, 'reframing loops' and 'meta cultures'.

Ideas are tossed at us without any elucidation. They might make easy reading for management development specialists, but what, for example, is the lay reader to make of this, unexplained, sentence: " We know through such processes as neuro-linguistic programming that the very act of looking up can help seriously ill people."

The director with a full day of work ahead might be tempted at this point to toss the book aside. It is worth turning to the last few pages, however, where Garratt puts forward some practical proposals.

He suggests, for example, that the company could indicate its support for the education of its executives by giving each director an annual budget for his or her own development.

He points out that many of the tools for the development of directors are already available: newspapers and journals, books, television, videos, secondment and job rotation.

"The Learning Organisation, Fontana, £3.50.

Management abstracts

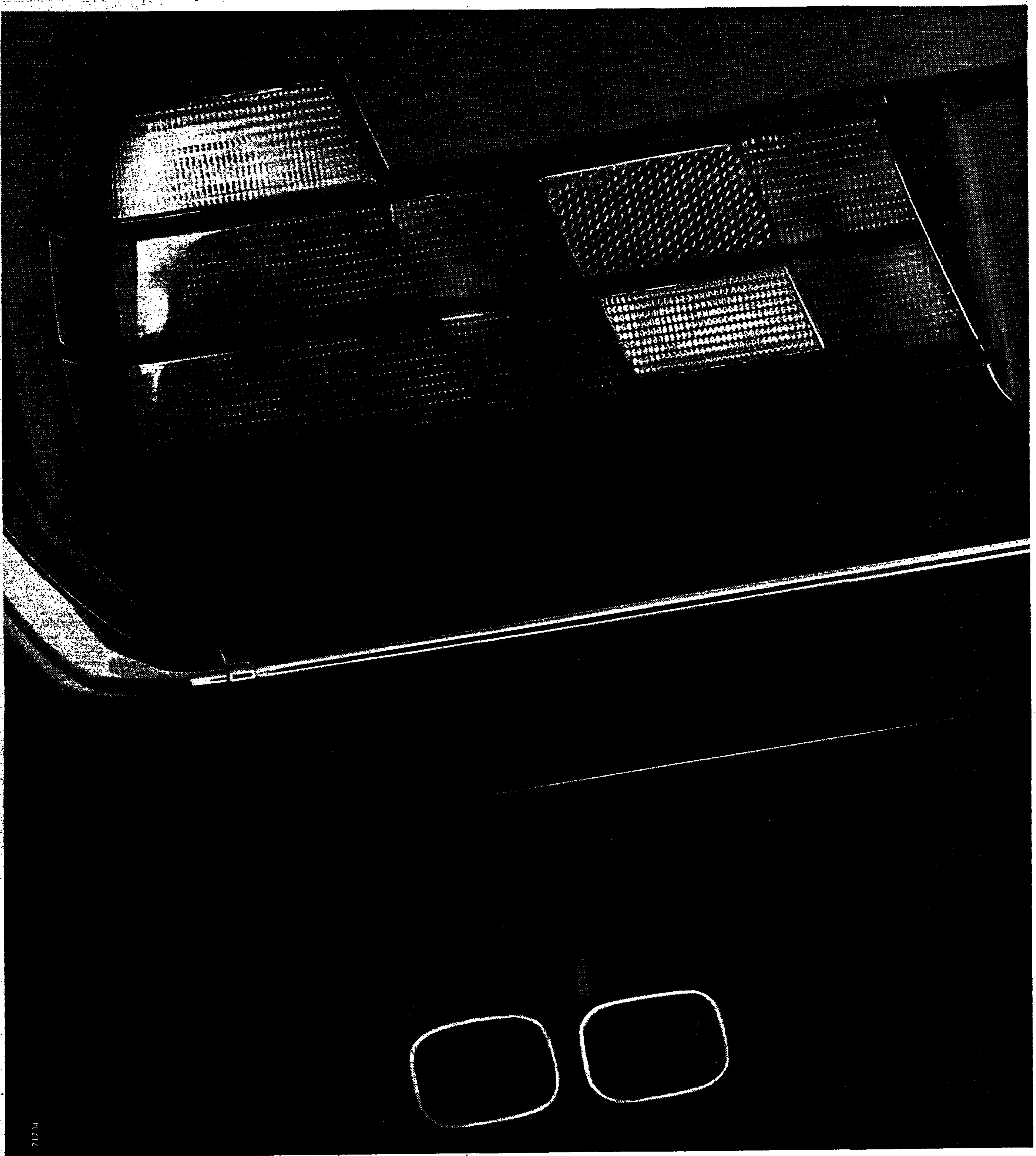
The unglamorous gains of managing maintenance, M.E. Hora in *Business Horizons (US), May/June 87 (9 pages).*

Contends that plant engineering and maintenance make up between 20 and 40 per cent of controllable manufacturing costs, excluding the lost opportunity cost of machine downtime, but maintenance is rarely regarded as part of business strategy or competitive strength. In discussing the effects of maintenance costs on the value-added chain, suggests ways of reducing the gaps between maintenance and the rest of the manufacturing process. Looks at ways in which enlightened management deal with such costs, the analysis of costs, and how to obtain accurate cost information, opportunities and guidelines for maintenance management.

Renault's PC network, *I. Holdsworth in Computer Weekly (UK), June 11 87 (1 page).*

Describes the computer system installed by Renault which allows dealers to track the progress of individual cars from order to delivery and allows customers to change their order, e.g. to different colour, up to two or three weeks prior to delivery. Notes the equipment used and future plans to computerise spare parts and warranty information.

Company Notices



The US has conducted the first major review of the university research centres it set up in 1985

Five rules to live or die by

By David Fishlock, Science Editor

ONE, perhaps two, of the first six American Engineering Research Centres(ERCs), set up at US universities in 1985, may cease to receive Government support because they are failing to meet the strict criteria laid down when they were founded.

This is the conclusion emerging from the first major review of a scheme which, in essence, Britain will follow next year with its first University Research Centres, specialising in exciting new areas of exploitable science such as warm superconductors and molecular recognition.

Britain envisages similar levels of initial investment, averaging around £2m a year, for these laboratories. But such is the opportunity for growth, for the unlucky host university in the US to fail the review could mean a loss of funds approaching $100m over the 11 years assumed as the natural lifespan of the centres. Half of this loss would be in state grants, the rest in research contracts from industry.

Any decision to end US Government support will be politically controversial, says Nam Suh, the mechanical engineer who runs the Engineering Research Centre (ERC) scheme for the National Science Foundation. But the foundation - roughly equivalent to Britain's research councils in administering Government funds for academic research - sets great store by the criteria it is using to select and monitor each ERC.

It is already making powerful enemies in Congress by refusing to bow to demands for geographic equality in choosing new ERCs. Any decision to abandon at least one ERC will surely bring demands for an investigation of the foundation, says Suh.

Korean-born Suh knows just what he wants from an ERC. He was professor of mechanical engineering at the Massachusetts Institute of Technology until appointed by the Reagan Administration as the foundation's assistant director for engineering in 1984. His own formidable academic achievements include 30 patents in manufacturing, materials technology and design, and in new theories of friction and of combustion in solid propellants.

The ERCs were conceived as a means for getting US academic muscle behind national economic objectives, including more competition for the inrush of new high-technology consumer goods from Japan.

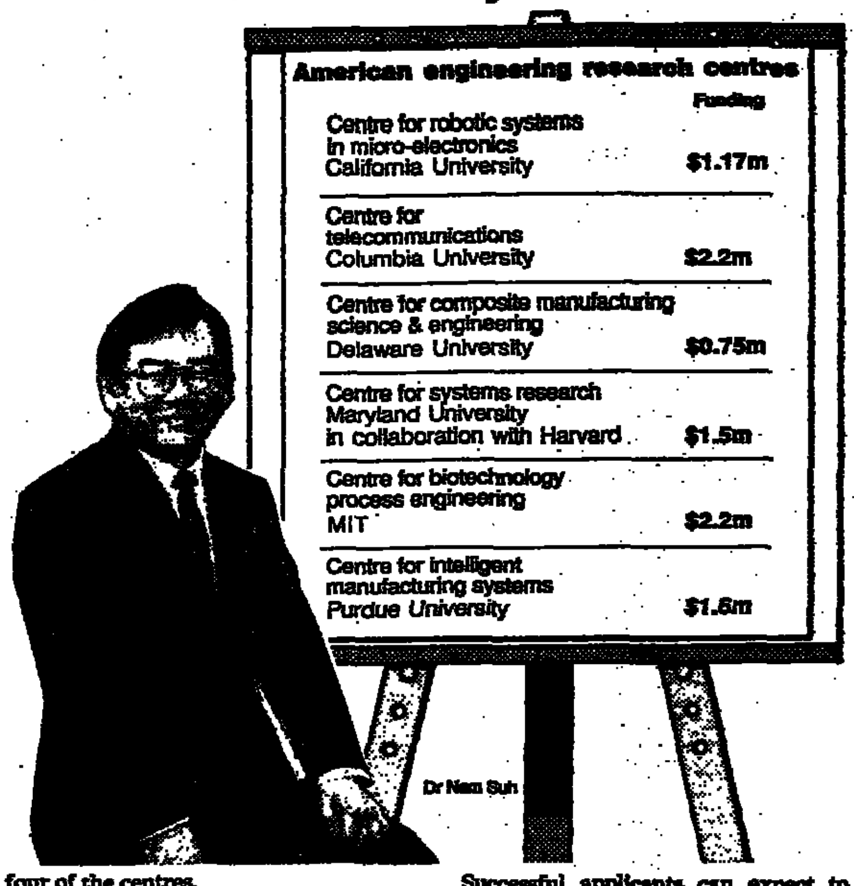
Suh himself believes firmly that the academic culture needs changing; that it has been too concerned to preserve the boundaries of traditional disciplines in a world where all the big challenges recognise no such boundaries and are invariably inter-disciplinary.

The ERCs are by definition interdisciplinary. They bring together - often for the first time - the diversity of disciplines as well as ample funding needed to make a dramatic impact on a promising new opportunity for science in engineering.

Suh's five criteria by which ERCs are tested at the outset and throughout their lives are:

- The subject must lie in an area which could enhance US industrial competitiveness with Japan and Europe.
- The team must be multidisciplinary.
- The aim must be to make a major impact in giving engineers a more broadly based education.
- The ERC must collaborate closely with industry on long-range research opportunities, for markets 5-10 and even 20 years ahead.
- The targets must be systems-related, not just matters of "digging wells deeper and deeper," says Suh.

"I will be happy if one out of the six ERCs succeeds in meeting all five goals," he says. At the three-year mark he is content with the performance of four of the centres.



Dr Nam Suh

So far, the foundation has launched 14 ERCs - five more in 1986 and another three this year. Suh hopes to get funds for another three or four in 1988. He forecasts a total of about 25.

Not surprisingly, given the funds at stake, competition for ERCs has been strong, even though many academic voices have been raised against them. The 14 centres funded have been chosen from over 300 proposals - a success rate of less than 5 per cent. So far, no university has been successful more than once, although the rules would allow it since the choice is on merit, not fairness, says Suh. "We must support the best people and the best ideas."

He has set up a painstaking peer review system for proposals, involving two different teams of specialists for each ERC. These advise his own staff. "It is a very unbiased process and overall it is working out well."

Successful applicants can expect to receive $40m to $50m from the foundation over an 11-year period, provided they continue to satisfy Suh that they are fulfilling his five commandments.

The third-year review is by a different team from that which gave the initial advice. It is designed expressly as a "go/no-go" test of whether a given ERC can be expected to run the full term. Suh intends it to be a clear-cut management decision as to whether it justifies further public support.

But he believes it is wrong to expect every ERC to succeed in meeting such rigorous rules. The point he stresses is that every one which succeeds will by definition be having a dramatic impact in its sector of science. Drop-outs should not be construed as evidence that the ERC programme is failing, he says. It is, after all, a new high-risk venture in managing research funds.

Super goal for the British programme

LAST SUMMER Britain's research chiefs invited proposals for University Research Centres (URCs). Within the Cabinet Office, the URC scheme is seen as an important instrument of change and rejuvenation in Britain's academic research community, refocusing much science on opportunities for exploitation in pursuit both of economic advantage and quality of life.

John Fairclough, chief scientific adviser to the Government, is urging that warm ceramic superconductors shall be the subject of the first URC, as a test of academic ability to organise a multidisciplinary approach to a topical opportunity and think afresh about an old subject.

Charles Reece, ICI's research director and chairman of the study group which identified a need for URCs, favours molecular recognition as the topic for the first URC.

The academic community has responded with over 70 ideas for URCs. It has also voiced strong reservations. One of the 230 critical submissions on research council proposals* for a more responsive British science base, invited by the Department of Education and Science, is from a consortium of 16 learned societies led by the Biochemical Society.

This states that, while they accept the need for some selectivity in the provision of very expensive equipment, "we disagree strongly with the concept" of the URC. "This degree of selectivity has often failed in the past, and there are few reasons for believing it will be more successful in the future." These critics believe the research council proposals are "overconcerned with the means by which research is managed and directed," and neglects the vital importance of the individual in research.

Professor William Mitchell, chairman of the Science and Engineering research Council, hopes to launch two or three URCs next year, and more in 1989. He stresses that they will be part of the university structure, not independent of it. He says his council arrived at the URC concept independently of the US, through its own experience with research directorates and its Teaching Company scheme, in which industry has participated enthusiastically.

Professor Mitchell agrees wholeheartedly with the need to continuously review each URC's performance but will be more lenient than the US and allow four years before the first major review.

*A strategy for the science base. HMSO. £3 95.

WORTH WATCHING

Edited by Geoffrey Charlish

Battelle drops into fine metal powders

BATTELLE, THE Ohio-based technology research group, plans to offer licences for a process it has developed for making the very fine metal powders now increasingly used in industry.

Such high purity powders are employed, for example, in spraying wear-resistant coatings, in microelectronics brazing processes and in injection moulding.

The first stage of the Battelle process involves making metal droplets, either by blasting a controlled stream of the molten metal with water, gas or oil, or by using a high-speed centrifugal system.

In the second stage, the droplets are introduced into a rapidly moving wall of water or oil so that, on impact, they break up into very fine particles of an average size of eight microns (millionths of a metre).

The technique offers great flexibility in controlling particle characteristics like shape and size. It is also claimed to produce higher yields than conventional atomisation.

How Ford interacts with quality control

IN A typical Western factory, it has been estimated that as much as 20 per cent of the operating budget can be consumed in finding and rectifying manufacturing mistakes. Despite this the errors may not always be found and rectified.

The Japanese are known to be performing much better in this area of ensuring product quality, largely because they have widely embraced a technique called statistical process control. The meaning of this for the buyers of, say, Japanese motor cars is that the vehicles have, or develop, fewer faults.

Unfortunately, SPC is not a simple technique for production people to grasp, which is why Ford in the UK has developed an SPC interactive video (IV) training course in conjunction with specialist UK company Futuremedia of Bognor Regis.

Basically, SPC involves the routine collection of data from strategic points on the production line and analysing it quickly so as always to bring any deviant part of the process back to its proper level or condition.

Using IV, instruction in SPC becomes more acceptable and effective. The student uses a video disc containing a carefully compiled set of pictures, graphs, text and sound which is accessed via a personal computer. The five-disc system is programmed to lead the the student through the course in the best possible way as he makes responses using the keyboard.

Futuremedia has had £150,000 of support from the Department of Trade and Industry in the UK and the Ford investment totals about £0.5m. Initial sales are likely to be made among Ford's 750 suppliers in Britain (which have to use SPC). But the course is applicable to all kinds of manufacturing. It is distributed by Bognor Regis-based Lasermedia, a newly-formed associate of Futuremedia.

A 24-hour line to fault-free phones

FROM January 1 Thorn Ericsson of Horsham in the UK will be offering a 24-hour remote maintenance and diagnostic service to users of its digital PABXs (company telephone exchanges) and other digital systems.

Faults will be detected over a phone line and in many cases rectified without users knowing there is a problem. Instead, they will receive an automatic print out describing the fault and the action taken to rectify it.

Thorn Ericsson admits that it will be "competing head-on" with British Telecom, but private systems director Terry Henson believes that "as specialists in our own product, we are obviously able to offer a superior service to that provided by BT."

Moving flights of the imagination

UK ELECTRONICS group Ferranti has moved into the "full motion" flight simulator market by winning a UK Ministry of Defence contract to supply the Royal Air Force with five simulators of the Short Tucano basic trainer aircraft.

Although Ferranti Computer Systems has a strong presence in various kinds of military simulation, these are the first systems that will be mounted on hydraulically driven legs to simulate cockpit motion.

CONTACTS: Battelle: US, (614) 424 7984 or in London on 493 0184. LaserMedia: UK, 0243 821202. Thorn Ericsson: UK, 0403 64166. Ferranti Computer Systems: UK, 061 428 0771.

Trafalgar to wind down Scott Lithgow shipyard

BY NIKKI TAIT

TRAFALGAR HOUSE, the shipping, property and building combine, is to "mothball" its Scott Lithgow shipyard on the lower Clyde, in Central Scotland, from February next year, when its remaining and much-delayed order - an oil rig for Britoil - is complete.

In its three years of ownership, Trafalgar says that the yard has cost the company more than £100m.

The decision to put the yard on a care-and-maintainence basis has long been expected. It was confirmed by the group as it unveiled full-year profits for 1986-87.

Mr Eric Parker, Trafalgar's chief executive, maintained that the company had "pursued absolutely everything" but had been unable to secure external orders. The decision will mean more than 1,000 redundancies as the existing workforce is reduced to a skeleton staff of around 100.

According to Mr Parker, the total cost to the group of the Scott Lithgow episode now exceeds £100m. Trafalgar's figures for 1986-87, include a £25m extraordinary charge to cover the costs of redundancies and asset write-downs resulting from the mothballing.

In addition, Trafalgar says there will be a further £50m-£60m write-off against reserves to cover the cost of completing the Britoil rig. The company already made a £54.9m provision for this in 1985-86.

The Scott Lithgow yard was bought by Trafalgar from British Shipbuilders for £12m in 1984, when the workforce stood at just under 3,000. The Britoil order for a semi-submersible oil rig was rescued when Trafalgar took over, but since then the only work going into the yard has been for Trafalgar's own Cunard shipping subsidiary.

Instead, the yard has suffered a series of disappointments with its failure to win orders - most recently, in August, when the Ministry of Defence rejected a reduced bid to build three small naval ships.

Yesterday, Trafalgar confirmed that it was still going ahead with its "substantial" claim against British Shipbuilders for misrepresentation over the state of the Britoil contact in 1984. No credit for the possible recovery of money from this action has been allowed in the reserves. Retention of the yard on a care-and-maintainence basis will cost Trafalgar around £2m a year, said Mr Parker, but he added that the company had no plans to sell or redevelop the site.

Instead, the company remains hopeful of returning work by the end of the decade. "It does look as if North Sea activity should pick up by 1990," Mr Parker said.

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Privatised arms group reshapes operations

By David Buchan, Defence Correspondent

ROYAL ORDNANCE, bought by British Aerospace from the Government in April, is decentralising its £500m-a-year arms and munitions business into four operating divisions.

The reorganisation, which will take effect at the start of next month, is the second within a year, but the first since privatisation. It is aimed at rationalising the company's sprawling activites.

It will merge nine factories into an ammunition division based at Chorley, Lancashire, two factories into a guns and vehicles division based at Nottingham, and two factories into a rocket motor division based at Westcott, Buckinghamshire. The company's Blackburn factory will become the control systems and fuzes division.

The moves will put "a very substantial degree of decentralisation on to the heads of division managers and senior teams," Dr Maurice Dixson, RO's chief executive, said.

Each of the four divisions would have its own management committee of directors, "but there will be a very strong downward look from myself."

A year ago Royal Ordnance was rearranged into two divisions covering land and naval/air weaponry, but the plan did not progress far because of uncertainty about the views of potential buyers of the company.

The latest reorganisation comes as the company enters what it hopes are the finishing stages of its protracted negotiations for a five-year deal to supply the Ministry of Defence with 80 per cent of its explosive, propellant and ammunition requirements. This business is believed to be worth more than £100m a year.

"Both sides have to see advantages for themselves," said Dr Dixson. "The MoD wants to see improvements in our productivity featuring in prices over the life of the agreement, and I think they are right to want that."

At the time of the Royal Ordnance sale, the MoD and BAe agreed to try to negotiate a long-term supply contract by spring 1988.

However, other companies have been expressing growing interest to the MoD in the supply of ammunition. One of these is BMARC (British Manufacture and Research), based at Grantham, Lincolnshire, and owned by Oerlikon of Switzerland.

Young will gain from building society switch

By Richard Waters

BUILDING SOCIETY investors under the age of 18, or those with less than £100 in their building society accounts, stand to benefit if building societies take up their right from the beginning of next year to convert into public companies.

These investors will receive a cash distribution of their share of societies' reserves. Other investors will see their share of the reserves locked up in the new company, and will be able to receive it only if the company goes into liquidation.

This emerges from draft rules published yesterday by the Building Societies Commission, which govern the conversion of societies, which are currently mutual societies, into public limited companies.

The rules on reserves mean that young investors, or those who have broken their investments up into small lumps, stand to receive a substantial amount. This is because they are not allowed to vote on whether a society converts, and so are allowed to withdraw their share of the reserves immediately.

No building society has yet said that it will go public following the introduction of the new rules.

Last ditch effort today to avoid postal strike

BY OUR LABOUR STAFF

CHRISTMAS MAIL is almost certain to be disrupted by selective strikes by the end of this week unless last ditch talks today between leaders of the Union of Communications Workers and Sir Bryan Nicholson, the Post Office Chairman, break the deadlock over the union's claim for a shorter working week.

Mr Alan Tuffin, the UCW's general secretary, said last night after the breakdown of detailed negotiations earlier in the day that the union's executive council had decided industrial action should be called if the meeting with Sir Bryan failed to make significant progress.

Mr Tuffin said he was not optimistic that Sir Bryan would make an improved offer which could avert industrial action.

He called on the Post Office to refer the dispute to independent arbitration, a suggestion which the Post Office has previously rejected.

It is widely expected that the union will call selective strikes at the Post Office's 81 processing centres and 1,040 delivery offices which in the run up to Christmas handle more than 1,000,000 postal items a day.

A ballot on industrial action including strikes over the union's claim for a three-hour cut in the 43-hour working week including mealbreaks, last month produced a 55 per cent majority for action.

Mr Tuffin said he was confident that there would be strong support among the union's 160,000 members in the Post Office despite the narrowness of the majority. He said the union's leadership would today decide the details of strike action.

The UCW decision to implement the ballot vote followed the breakdown of talks yesterday after more than two weeks of detailed negotiations aimed at agreeing productivity improvements to finance a cut in working time.

Mr Tuffin said that in spite of the union's willingness to consider a wide range of changes to working practices the Post Office had signalled that it would be willing to offer only a minuscule improvement of up to 20 minutes in its original offer of a one-hour reduction.

Mr Bill Cockburn, managing director of the Post Office's letters division, said there was a large gap between the two sides and the union was unwilling to agree to key elements of the corporation's productivity proposals.

He said the main obstacle was the failure to agree the introduction of a revised bonus scheme.

Prince Charles attacks City developers

BY COLIN AMERY

THE PRINCE of Wales made a dramatic plea last night for a new approach to property development in the City of London.

Speaking at the annual Planning and Communications Committee Dinner at the Mansion House, Prince Charles attacked the present planning legislation for wrecking the London skyline and "losing the dome of St Paul's in a jostling scrum of office buildings."

The particular target for the Prince's wrath was the proposed redevelopment of the area to the north-east of St Paul's Cathedral known as Paternoster Square.

A consortium consisting of the Mountleigh Group, British Land Company, the Unilever Superannuation Fund and Barclays Bank Pension Fund held an international architectural competition this year to find a master planner for the site.

At the end of November the consortium announced that Arup Associates had been selected to produce a new master plan, with some of the buildings to be designed by Richard Rogers - the architect of the controversial Lloyd's building.

The Prince disclosed that he had been shown the proposals of the finalists by Mr Stuart Lipton, a property developer, in the summer. His reaction was that he was deeply depressed that none of the architects had risen to the occasion.

He was equally depressed by the "overriding commercial considerations" - a demand for 1m sq ft of offices next to the cathedral. "The site might just have well been at the back of a bus station." The Prince of Wales said that he intended to raise his standard over Paternoster Square and he outlined three main changes in the planning system that could make a radical difference to the way developers build in historic cities.

First: tight controls over the design of buildings within 500 yards of a historic monument.

Second: more muscle behind the Conservation Area legislation allowing controls over materials and character.

Third: an admission that current skyline rules do not work and a return to a statutory height limit.

If those guidelines were adopted it would mean that as office towers within the vicinity of St Paul's became obsolete they would not be replaced by high buildings.

The Prince also called for more public involvement in important planning decisions and an exhibition of proposals for the Paternoster "so that people can judge for themselves."

Recognising that architects have sometimes accused him of being a "negative influence", the Prince of Wales put forward a personal vision for the area around the cathedral.

He felt that it should be a beautiful area on a human scale built at ground level.

Patients 'concerned over dental services'

By Alan Pike, Social Affairs Correspondent

PROBLEMS WITH dental services are among the leading consumer concerns about the health service, according to a National Consumer Council survey.

Prominent among these concerns is confusion about charges and uncertainty about how to get emergency treatment out of hours.

In a bid to tackle the problem, the NCC, a Government-established body which represents consumer interests, yesterday published a 116-page guide to dental patients' rights.

Mrs Sally Oppenheim-Barnes, NCC chairman, said the council's research showed that people were put off going to dentists because of worries and confusion about the likely cost and their legal rights. This was not surprising in view of the complex web of rules.

Proposals to widen the choice and information available to patients by improving information on dental lists and encouraging dental practices to produce explanatory leaflets are included in the Government's primary health care White Paper, published last week. The Government also intends to end free dental checks.

You and Your Dentist; National Consumer Council. HMSO. £2.50.

European consensus favours liberalisation

BY TERRY DODSWORTH AND DAVID THOMAS

FT CONFERENCE

World Telecommunications

A BROAD consensus is emerging in Europe behind further telecommunications liberalisation, **Mr Karl-Heinz Narjes**, vice-president of the European Commission, told the first day of the Financial Times conference on World Telecommunications.

Mr Narjes, who set out in detail for the first time the actions to be taken by the commission as a follow-up to its green paper on telecommunications, published this year, said telecommunications liberalisation in Europe was a key part of creating a common European internal market by 1992.

The EC would also need to develop a joint position on trade in telecommunications equipment and services. Europe ran a deficit in telecommunications equipment with both the US and Japan. The EC supported the proposal for a multilateral agreement on telecommunications trade and was suspicious of bilateral deals which tried to set rules for the rest of the world.

Lord Young, the UK Trade and Industry Secretary, said the European telecommunications system lacked responsiveness to needs of users, despite pioneering developments in the UK.

While welcoming the green paper, he said the UK had reservations over the lack of support for competitive basic network operations and was worried that the creation of new standards might lead to restrictions.

Lord Young also stressed Britain's support for complete deregulation of value-added services, saying the Government was pushing ahead with bilateral talks to open up these sort of links with the US and Japan. In telecommunications equipment markets, he said Britain's experience had shown that deregulation was of great benefit to users, while also encouraging industry to "face up to the challenges" from the rest of the world.

The initiatives taken in the European Commission's green paper were supported by the ministers responsible for telecommunications policy in both France and the UK. **Mr Gerard Longuet**, the French Minister of Posts and Telecommunications, said the establishment of a common system of communications in the region was an important issue in the development of the community, and he called for the creation of a centralised body to set pan-European standards. Agreements between European countries on a new digital car telephone system were an important precedent, he added.

Mr Longuet said France was now committed to full liberalisation of value-added services, and was opening up both its car telephone and radio paging networks to more competition. The Government was also intending to divide the regulatory responsibilities of the telephone authority from its operating function.

"It is necessary to give the Direction Generale des Telecommunications the autonomy to set its own prices, determine its investment, manage its own debt and make its own managerial decisions."

Mr Geza Feketekuty, adviser to the US Trade Representative, calling for an agreed basis for trade in telecommunications equipment and services, pointed to large disparities in telecommunications imports among the major countries.

Regulatory differences between the countries reinforced the need for ground rules dealing with market access, because otherwise the different regulatory regimes could become a major obstacle to trade.

In the short term, bilateral agreements between countries could help in defusing commercial conflicts in telecommunications trade. The US had initiated bilateral negotiations with 12countries and had concluded an agreement with Canada.

Sir Eric Sharp, chairman of Cable and Wireless of the UK, said large users of international telecommunications were leading a shift away from the domination of national carriers, despite regulatory obstacles. Multinational companies were able to establish their own networks within individual countries, and saw no reason why they should not do this internationally.

Cable and Wireless was helping to break down national barriers by establishing an international network, he added, although significant problems remained. "Global networking is, and will become, an increasing part of everyday business and leisure. The duty of regulators is to bring down the barriers that complicate and inflate the cost of global networking, and of carriers to provide maximum choice of facilities and easy access to international trunking."

Lord Young: reservations over lack of support

Mr Salvatore Randi, general manager of STET, the Italian nationalised telecommunications group, said the integration of services and the adoption of common standards in Europe was essential to make the region competitive with the US and Japan.

Proposing the creation of a new pan-European organisation to provide intra-European telecommunications services and co-ordinate intercontinental activities, he said unco-ordinated initiatives by telecommunications operators was "the best runway for the landing of foreign manufacturers and service providers in Europe."

Mr William Weiss, chairman and chief executive officer of Ameritech, a Bell Regional Telephone company, stressing the crucial role of governments in setting telecommunications policy, said the Bell Companies in the US were hamstrung by government regulations and restrictions.

Ameritech intended to appeal against the recent decision by the US courts stopping the Bell companies entering the information services, manufacturing and long distance markets, because it believed that entering those markets would help it strengthen its core businesses to the benefit of its customers.

Continuing consolidation of equipment manufacturers was inevitable as the industry became more global, according to **Mr Michael Pataalos-Fox**, a partner in McKinsey & Company, although they should be aware of the difficulties of carrying out a successful merger operation.

With perhaps only five public switch manufacturers left in 10 years, the other manufacturers should now work out alternative strategies, including supplying specialised switches to niche markets.

Mr Richard Hooper, managing director of Super Channel, the satellite television service, appealed to the European telecommunications community to help remove the political obstacles blocking the spread of satellite broadcasting on an European basis.

Despite fast growing demands for both pan European television and advertising, its growth was being hindered by several factors. Some were concentrated on the market, such as the relatively small number of homes able to receive the signals, the tendency for the advertising industry to operate along national lines and the lack of European technical standards.

MPs 'not given enough facts on TSB flotation'

BY RICHARD WATERS

PARLIAMENT WAS not given enough information on which to base a decision about who should receive the proceeds of the £1.275bn TSB flotation, according to the Commons Public Accounts Committee.

The committee's findings, published yesterday, follow an investigation into why the Government waived its right to the sale proceeds in the 1985 Trustee Savings Banks Act. A year later, the Lords ruled that the TSB assets "belonged to the state."

TSB, which itself received the flotation money, has since acquired Hill Samuel, the merchant bank. The committee's report says that the Treasury had decided by 1985 that TSB would need the flotation money to strengthen its capital base and help it to compete in "the big league" of financial institutions.

Parliament was aware at the time of the 1985 act that it had the power to use the proceeds of the banks as it saw fit, the committee says. However, it would have been better if the respective positions of the Government and the initial shareholders had "been more specifically covered in information provided to Parliament."

As a result of the act, shareholders in the new company "found themselves entitled not only to the assets purchased but also to the full proceeds of flotation," the committee says. This "bonanza" was spread between 3.15m shareholders.

The committee adds that the Treasury was influenced by its desire for TSB to be able to compete with the world's largest banks. Even with the sale proceeds, which gave it capital of $3.3bn (£1.8bn), it only just scraped into the world's top 30.

"It would in our view have been better had such issues been more specifically covered in the information provided to Parliament when the 1985 act was being considered," the committee says.

Trustee Savings Banks; Rights Of Ownership (HC122). HMSO. £3.20.

European Court to rule today over tax on homes

BY ANDREW TAYLOR IN LONDON AND WILLIAM DAWKINS IN BRUSSELS

EXECUTIVES FROM some of Britain's leading construction companies were last night anxiously awaiting the first indications of the outcome of a European court case which they claim could add a minimum of 15 per cent to the price of new houses and result in the cancellation of a range of private construction projects.

The European Court of Justice in Luxembourg is today due to deliver its preliminary opinion on whether Britain and Ireland should be allowed to give exemption from value added tax to a wide range of goods and services including new construction.

The court's preliminary opinion, expected to be given by the Advocate General, usually gives a pointer to the final judgment which is expected early next year.

Other areas under threat include protective boots, animal feed, energy, water and sewerage services. The European Commission took the London and Dublin Governments to court because they claimed such goods and services fell outside EC rules, which only allow VAT exemptions for clear social reasons or where it is determined that the final consumer stands to benefit.

Mr John Parsons, president of the Building Employers Confederation, gave a warning last night that the imposition of VAT on new construction would have far-reaching economic implications affecting the provision of shops, offices, factories, hospitals, schools and homes.

He was speaking at the confederation's annual dinner in London. The confederation is the biggest of the construction industry trade associations. It represents companies with a combined annual turnover of more than £20bn.

Mr Parsons said: "If the case goes against us, all new building and civil engineering work could ultimately become subject to VAT. At worst, this could mean 15 per cent added to the sale price of new houses."

The increases would not have to be paid on council house building "because of an incredible contention by the European Commission that public sector housing is a social benefit while owner occupation is not," said Mr Parsons.

He said the earliest VAT should be introduced, if Britain loses the case, should be the March budget in 1989. Government should also consider increasing public sector construction programmes "to avoid a potentially damaging hiatus in industry's work patterns."

VAT on books opposed

BY RAYMOND SNODDY

THE BOOKSELLING and publishing industry has united to oppose what it sees as an increasing danger that value added tax may soon be imposed on books, magazines and newspapers for the first time.

The presidents of both the Booksellers Association and the Publishers Association, Mr John Hyams and Mr Michael Turner, have joined forces with an open letter to the book trade urging action against what they see as a tax on reading.

The book trade fears a two-pronged attack from both the European Commission and the British Government.

An EC draft directive envisages two levels of VAT - a standard rate which would range from 14 per cent to 20 per cent and a reduced rate of between 4 per cent and 9 per cent - presumably for books and newspapers.

But concern is growing that the Government might agree to impose the full present UK rate of 15 per cent on books as part of a compromise to help it honour a commitment to preserve zero ratings on food, fuel and children's clothes.

Mr Hyams and Mr Turner are appealing to everyone in the book trade to write in protest to their MPs and the responsible Ministers.

The European Committee Against Taxing Books is fighting the battle on an EC-wide front.

Mr Clive Bradley, director of the Publishers Association, argues that an acceptable compromise could involve the commission accepting a reduced VAT range of zero to 6 per cent.

British Gas accused of prices secrecy

BY LUCY KELLAWAY

BRITISH GAS was accused yesterday by the head of its regulatory watchdog body of putting a "cloak of secrecy" around its industrial pricing policy.

Mr James McKinnon, director general of the Office of Gas Supply, delivered his attack less than a week after the issue of industrial gas prices was referred to the Monopolies and Mergers Commission following complaints of overcharging.

Speaking at a conference in London on the privatised gas industry, organised by Public Issue Conferences, Mr McKinnon said British Gas should be required to publish a list of gas prices by volume and hold the prices steady for about a year.

The company was "not a barrow boy but a very large company," and therefore would not suffer from publishing price lists. Under the present system British Gas has to disclose only its maximum price.

Mr McKinnon's recommendations are based on an Ofgas report to be published later this month. He said yesterday that, to encourage rival distributors of gas, it was essential that the British Gas pricing policy should be open so that potential competitors could judge if an opportunity for profit existed.

At present prices, he guessed that profits of about 7p or 8p a therm might be available to a rival supplier of gas. Mr McKinnon also suggested that all the present constraints imposed on "interruptible" gas supplies should be lifted.

Interruptible gas supplies are cheaper supplies to industry which British Gas can cut off in peak periods. At the moment British Gas will supply on an interruptible basis only if it is satisfied that the customer could cope if supplies were cut off.

The recommendations would partially answer complaints being investigated by the Monopolies and Mergers Commission. Industrial customers have said prices are too high and the secrecy of the pricing process makes decision-making difficult.

BP finds oil off coast of Dorset

By Lucy Kellaway

BRITISH PETROLEUM announced yesterday that it had found oil 2½ miles off the coast of Dorset, close to its existing onshore Wytch Farm field.

The progress of the well has generated much excitement in the industry. Some analysts predicted that the new find could add half as much again to Wytch Farm's existing oil reserves of about 250m barrels.

However, other experts say that the extension is more likely to contain about 50m barrels.

BP said it was too soon to assess the scale of the discovery or to say whether it was an extension of the Wytch Farm field. It said that a programme of further appraisal drilling was planned, for which it would seek approval with the appropriate planning authorities.

Since it was discovered more than 10 years ago, the Wytch Farm field, the largest onshore field in the UK, has repeatedly surprised its partners by the size of its reserves.

The most positive estimates put the total size of recoverable reserves in the area at about 450m barrels.

● British Gas said yesterday it had made a "significant" gas discovery in the Southern Gas Basin of the North Sea

The find is on block 48/12b, 45 miles off the Yorkshire coast.

Clive Wolman on the first year of the investigation into the Distillers takeover bid

Guinness affair is a long time brewing

THE SIMULTANEOUS swoop by inspectors and officials from the Department of Trade and Industry on the headquarters of Guinness, Morgan Grenfell, the merchant bank, and several other City institutions involved in the Guinness takeover bid for Distillers was dramatic enough when it happened a year ago yesterday.

But few, if any, predicted that the investigation would lead to the largest number of sackings, resignations and arrests on fraud and theft charges of senior City and business figures since the collapse of the South Sea Bubble.

The irony is that the DTI inspectors themselves have so far said nothing nor indicated *publicly that any wrongdoing* has occurred. Nor is the report of the inspectors likely to see the light of day for another two years, if not more. The initiative has now passed to the police and the focus of attention is on their investigation.

In fact, the impact of the inspectors would have been almost exactly the same if their appearance had been no more than a cage-rattling operation and they had merely gone into a few offices, taken away a lorry-load of randomly selected files and then sat back and waited.

Within three weeks, information about the share-support operation during the takeover bid began to leak out. As more people attempted to protect their own positions, by undermining those of others, the resignations gathered pace. The inspectors' appearance led to 10 resignations, even before they started interviewing the leading characters.

The police first became interested in the affair in late January when Detective Superintendant Richard Botwright of the Metropolitan Police and his deputy, John Wootton, were alerted but for the next three months they were not allowed to do any more than collect press cuttings.

However, within 72 hours of being given the go-ahead by the Director of Public Prosecutions in early May, the police had interviewed key witnesses and arrested Mr Ernest Saunders, former Guinness chief executive, on *charges of intent to pervert the* course of justice and of falsifying documents.

The police have adopted a fundamentally different tack from previous investigations into suspected City fraud. In the past they have attempted to investigate all possible angles and gather all possible information before making arrests, if any. Cases, such as the suspected frauds in the Lloyd's insurance market, have gone cold and the chances of witnesses remembering the details of critical incidents have diminished.

In this case, the police, using the transcripts of the evidence to the inspectors, decided to focus on the principle issues and bring charges as quickly as possible. *This followed the policy of Mr* Rudolph Giuliani, the US attorney in Manhatten, in his insider

Ernest Saunders: facing charges

dealing arrests on Wall Street earlier this year. Already five people have been arrested and several more arrests are expected before the five are due to appear before the court again for committal proceedings in April.

Arresting powerful businessmen and tackling their lawyers has been a dangerous and tricky business. On the day before Mr Saunders was due to appear before Bow Street magistrates to face another 37 charges in October, his solicitors persuaded the court, in the absence of the police, to order the police to return his passport to allow him *to fly to Switzerland early* the next morning.

The police refused and faced contempt of court proceedings. The threat was removed only by a rush in a siren-blaring police car to a judge's home in Hendon.

When Mr Gerald Ronson, one of Britain's wealthiest self-made businessmen, was arrested, his solicitor accompanying him, the Labour peer Lord Mishcon, protested that Mr Ronson had come to the police station of his own free will and had spent several gruelling hours answering the police's questions. They could not now arrest him, Lord Mishcon argued.

The more junior officers leading the interrogation began to *show uneasiness* and Superintendant Botwright had to intervene. "Just try leaving the building and you will soon find out whether or not you are under arrest," he said.

Criminologists say that the most powerful element in the punishment and deterrence of white collar criminals is the moment of arrest, when the suspect is humiliated by his subjection to the power of the state.

Soon after the inspectors' investigation began, Mr Ronson decided to seek the advice of Lord Mishcon, not his regular lawyer, at the suggestion of Mr Robert Maxwell, a close friend. Mr Ronson's subsequent letter to Guinness, in which he admitted being paid £5.8m for buying Guinness shares during the takeover battle, was drafted by Lord Mishcon and Mr Michael Sherrard QC.

The letter failed to mention that Mr Ronson had agreed with Guinness that £5m of the sum was to be a (generous) payment for property advisory work that Mr Ronson's company carried out for Guinness in reorganising the Distillers property portfolio in the aftermath of the bid. The omission was apparently made by Mr Sherrard in the belief that, by making a clean and uncomplicated admission of his involvement, Mr Ronson could avoid further questioning and entanglement.

However, the clarity and simplicity of Mr Ronson's admission *may have* weakened what could have been an important part of his defence case

CEGB pledges backing for role of nuclear power

BY LUCY KELLAWAY

THE CENTRAL Electricity Generating Board yesterday issued a strong endorsement of the role of nuclear power in meeting future energy needs. However, it warned that breaking up the CEGB into small companies would endanger the nuclear programme.

Mr John Baker, CEGB corporate managing, reacted unenthusiastically to a suggestion made last month by Mr Cecil Parkinson, Energy Secretary, that an obligation could be placed on private power generating companies to meet a fixed proportion of future needs through nuclear power.

Speaking at the British Nuclear Forum's annual meeting with MPs, he said it would be better to rely on "an organisation like the CEGB that is positively motivated to build and operate nuclear plants" rather than requiring private utilities to build nuclear stations.

The nuclear issue is a strong bargaining point for the CEGB in its efforts to persuade the Government to privatise it more or less intact. The Government does not want privatisation to damage its nuclear programme, under which the CEGB plans to build a new generation of five pressurised water reactors.

Mr Jones said the record of the fragmented electricity industry in the US in building nuclear stations compared unfavourably with that of France.

News International buys half-share in store chain

BY MAGGIE URRY

NEWS INTERNATIONAL, the UK arm of Mr Rupert Murdoch's News Corporation, is investing £20m in a half-share of Circle K UK, the US-quoted convenience store chain. The joint venture *also covers expansion through*out Europe by Circle K, which has 3,656 convenience stores in the US.

Circle K currently operates 134 convenience stores in the UK which open seven days a week for long hours. It plans 500 stores by 1992. Talks have also begun on a move into continental Europe.

The attraction to Circle K of a partner is to speed up penetration of the UK market.

Circle K's overseas operations - which include Canada, Japan and Hong Kong with plans extending to other parts of south-east Asia - have generally been through joint ventures. It said yesterday: "Our preference has always been for our foreign operations to be either joint venture or licensed rather than wholly-owned."

News International will keep this joint venture separate from the one-third stake it has in a consortium which took over Martins, the newsagent, in September.

Circle K stores sell newspapers as well as a range of other goods. Mr Murdoch said that "the resources of News Corporation coupled with the operating expertise of the Circle K UK personnel should make the joint venture a highly effective and profitable organisation."

Circle K, which has more than 4,000 stores worldwide, originally set up a joint venture in the UK with Imperial Group in February last year.

Digital to build £100m headquarters in Reading

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

DIGITAL EQUIPMENT, the international computer manufacturer, is to invest £100m in a new UK headquarters at the Thames Valley Business Park on the eastern side of Reading.

It has bought for £30m from Speyhawk, the developers of the park, a site of 33½ acres on which it intends to construct five widely separated buildings, each of 100,000 sq ft, to house 2,000 employees in all.

This is the second big property transaction along the M4 corridor in the last fortnight, emphasising the area's attraction to high-technology groups. Earlier, Galileo Distribution Systems, the inter-airline reservation partnership, reached agreement to take 240,000 sq ft of space at a business park near Swindon.

The new headquarters for Digital brings the company's planned investment in the UK announced over the last year up towards £200m. During the summer it started construction of an £82m silicon wafer plant near Edinburgh.

The company has also been extending its presence along the M4 corridor. This year it pre-let from *Slough Estates 150,000* sq ft at Winnersh Triangle, also near Reading, for a warehousing centre and took space at the Arlington Securities' Newbury Business Park for a value-added network services company.

Leading cinema chains may lose exclusive deals

BY RAYMOND SNODDY

THE GOVERNMENT is proposing to open up the distribution and exhibition of films in the UK to more competition.

Mr Francis Maude, minister for corporate and consumer affairs at the Department of Trade and Industry, said yesterday the Government was considering making an order under the Fair Trading Act outlawing the "barring" of films and giving independent cinemas more access to popular films.

Barring is the system under which the order by which cinemas gain exclusive access to films is pre-ordained by the leading distributors.

"I am proposing firstly that existing and future long-term arrangements between a cinema and a cinema operator to bar other cinemas locally from showing the same films concurrently might be made unlawful," Mr Maude said yesterday in a written parliamentary answer.

An end to barring was recommended by the Monopolies and Mergers Commission in a 1983 report arguing that exclusive access to films should be negotiated case by case.

Mr Maude also made clear that he was proposing a four-week limit on the time "first run" cinemas could show a film without making it available to competitors.

Yesterday's government statement came as the Office of Fair Trading published a report on an experiment based on the MMC recommendations in the Glasgow and Manchester areas. As part of the trial, independents had easier access to popular films.

The OFT said there was no indication that distributors or exhibitors would suffer commercially if such rules were introduced across the industry.

Heath turns on Tories with a vitriolic attack on education bill

BY TOM LYNCH

A STINGING attack on all the main points of the Government's Education Reform Bill was launched in the Commons last night by **Mr Edward Heath**, the former Conservative Prime Minister.

Mr Heath attacked events surrounding the bill's introduction as "a caricature of parliamentary government" and virtually invited the House of Lords to make major changes to the measure when it reaches the Upper House next year.

However, his speech drew a stern rebuke from **Mr Norman Tebbit**, the former Conservative Party chairman, who argued that the record of Mr Heath's premiership disqualified him as a critic of the present Government.

The former Prime Minister's attack on another major plank of government policy was peppered with noisy interruptions from other Conservative backbenchers, but he refused to allow any of them to intervene in his 25-minute speech.

He told them that no definition of the Government's mandate after its general election victory could justify failing to provide the House of Commons with a proper opportunity to conside legislation.

Inadequate consultation had preceded the bill's publication seven working days before yesterday's second reading debate in which about 70 backbenchers had about four hours to make their contributions. "It shows a lamentable respect for education and for parliament.

"It gives the House of Lords the opportunity to say the major issues were never debated in the Commons and so they can take it in hand."

Mr Heath accused ministers of allowing concern about affairs in one or two left-wing boroughs to dictate the policy of schools being allowed to opt out of local authority control. He predicted that opting out would lead to selection and, eventually, a fee-paying system.

The opt-out plans were "going to undermine the whole of the basic educational system of this country," and he appealed to the Government to drop them.

The bill's proposal to allow boroughs to opt out of the Inner London Education Authority was "contrary to the whole trend of Conservative education policy." If the richer boroughs opted out, the poor would suffer.

Allegations by Labour MPs that the Government was still having difficulty in securing support from industry for the establishment of new city technology colleges were denied by Mrs Angela Rumbold, Minister of State for Education, in the Commons yesterday.

She insisted that a "very substantial number of industrialists" had come forward - more since June thanbefore June - expressing interest in the idea.

Mrs Rumbold stated: "We shall eventually be establishingthe full 20 city technology colleges in the not too distantfuture."

The former premier described the Government's declared aim of parental choice as "very largely a confidence trick", and plans to give parents more power in running schools as "completely unrealistic", arguing that parents did not want to run schools.

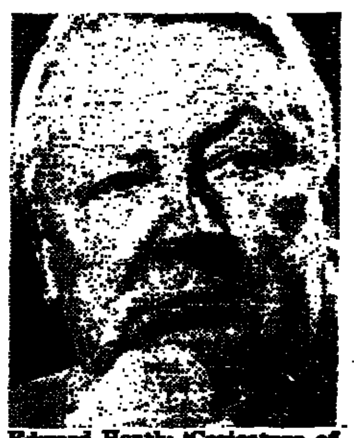
He welcomed an indication by **Mr Kenneth Baker**, the Education Secretary, that there was likely to be a more flexible interpretation of the national curriculum, but he told Mr Baker he was taking on too many powers to dictate details like which books should be used - a power he would not like to see used by a Labour Government.

Arguing that Mr Baker had more power under the bill than any other minister, he said: "No Secretary of State should ever be allowed in a parliamentary system to have that power."

Mr Heath said the universities were "terrified" to protest loudly about the proposals to end academic tenure and appoint commissioners to amend their statutes because "they all know what has happened to those who have different views from those in government circles. They are afraid they are going to lose their jobs."

Mr Tebbit urged Mr Baker to ignore criticisms of the bill's timetable from the premier who pushed the Counter Inflation Bill through parliament in two weeks during 1972. "That's fairly brisk for a bill which was not only not in the party's manifesto but was specifically excluded by pledges in that manifesto."

He added that pleas for one-nation Toryism could be disregarded from "the man who was Prime Minister when the country was plunged into the three-day week when the party and the country were almost irrevocably split".



Edward Heath: 'Caricature of parliamentary government'

He urged his former Cabinet colleague to go further in the opting-out proposals. "Consider taking powers yourself to opt schools out in order to ensure that consumer choice is more widely spread more quickly."

Mr Tebbit congratulated Mr Baker for having "crystallised many long hours of debate in the Government into legislation," and urged him in particular to "stand firm" on the testing of children. He said it was a characteristic of producer-driven industries that the producers - in this case the teachers - were resisting quality control.

He paid a mocking compliment to Mr Heath for his part in starting the party on the road to being the defender of the consumer rather than of the producer when he abolished resale price maintenance. "Opposition to this bill is the mistrust of people to manage their own affairs and make their own choices."

Opening the debate, Mr Baker said the bill aimed "to secure delegation and widen choice" and argued that the opting-out plans would improve standards in all schools, even those which remained within LEA control.

"The LEAs will want to hold on to their schools and they will therefore have a far greater incentive to respond to the wishes of parents. For the first time in 80 years they will face competition in the provision of free education. So standards will rise in all schools as we introduce a competitive spirit into the provision of education - and at no extra cost to the consumer."

In a widely-expected concession to critics of the bill, he said he would not lay down how much time schools should spend on the core curriculum or what percentage of time should be spent on each subject.

However, he said, "it will" be very difficult, if not impossible, for any school to provide the national curriculum in less than 70 per cent of the time available".

Mr Jack Straw, the shadow Education Secretary, said the testing of children could label many as failures from an early age, and the powers for parents could lead to segregation on the grounds of class and race.

"It is a bill that will divide, that will set child against child, class against class, school against school and race against race. This will lead to educational apartheid, to segregation."

He accused ministers of waging a "constant campaign to instil a state of distrust in the state of education and the teaching profession."

Kinnock urges cut in interest rates to aid industry

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday called for an urgent cut in UK interest rates "of at least 2 per cent" in order to relieve pressure on the pound and to sustain the competitiveness of British industry.

He made his call, repeated later in the Commons during Prime Minister's questions, on a visit to the International Trade and Services Exhibition in London.

Labour's attack on the Government's economic strategy - including its reluctance to sanction further interest rate cuts - will be pressed further today in the Commons, when it stages a debate on "the burden imposed on the real economy by government policies".

Mr Kinnock also claimed on BBC radio that a major interest rate reduction should prove "inflation-neutral" because higher import prices would be offset by reductions in production costs.

He attacked Mr Nigel Lawson, the Chancellor of the Exchequer, for sanctioning minor rate cuts which had failed to make the necessary impact on Britain's trading position and the external value of the pound.

In the Commons, Mr Kinnock demanded that Mrs Thatcher should reduce UK interest rates which, he said, were in real terms among the highest in the developed countries and which placed British exporters at a serious competitive disadvantage.

Mrs Thatcher repeated the Government's commitment to reduce interest rates "when it is prudent to do so". She claimed that the Government's financial policies had "stood the test of eight years", had produced a soundness and success envied by other countries and led to a higher standard of living than ever previously known in Britain.

To Tory laughter, the Labour leader suggested to the Prime Minister that "nobody knows what your financial policy currently is". Mrs Thatcher replied: "If you don't know what our financial and economic policy is, you must be living in cloud cuckoo land."

In today's Commons debate, Labour intends to mount an attack over the decline in UK manufacturing output and the forecast £7.5bn manufactured trade deficit. MPs will call for greater government involvement and investment in an improved manufacturing performance.

The Government's plans for major increases in electricity prices will also be singled out as an unnecessary cost burden not justified by the electricity industry's financial position but which forms part of the "fattening-up" process in advance of privatisation.

MPs rally to support Shepherd secrecy measure

BY OUR POLITICAL CORRESPONDENT

ALL-PARTY support is building up for Mr Richard Shepherd's Protection of Official Information Bill, which seeks to replace the widely-discredited Section 2 of the Official Secrets Act.

Among sponsors of the bill, which is scheduled to have its second reading in the Commons on January 15, are Mr Edward Heath, the former Prime Minister, who has told Mr Shepherd, the Tory MP for Aldridge Brownhills, he hopes he will press on with his proposals.

Others include Mr Michael Foot, the last Labour Party leader, Mr Merlyn Rees, a former Labour Home Secretary and Dr David Owen, the former Social Democratic Party leader.

Mr Shepherd has also won support from Mr Jonathan Aitken (C, Thanet South), Sir Ian Gilmour (C, Chesham and Amersham) and Mr Archy Kirkwood (Lib, Roxburgh and Berwickshire).

Despite the recent acknowledgement that a group of ministers is examining the possibility of replacing the "catch-all" Section 2, Mrs Thatcher has made it clear that she does not regard a private member's bill as a suitable vehicle for bringing forward any changes in existing secrecy laws and that the Government will not support its passage through the Commons.

Having failed in his attempts to discuss the issue with Mrs Thatcher, with a view to reaching a consensus on changes to the act, Mr Shepherd wrote to the Prime Minister, asking her to state which elements of his proposals for replacing Section 2 did not meet her expressed criteria of "effectiveness, enforceability and reasonableness".

In her reply, Mrs Thatcher said that if, in the light of the present ministerial review, it was decided to bring forward new proposals, the Government would make an announcement. At this stage, she added, it "would not be sensible" to comment on detailed issues. It is thought that any proposed changes to the existing law would be published next year in a white paper.

Mr Shepherd, whose proposals would replace Section 2 with new provisions to protect information in several key areas, including defence, international relations and security, claims the measures form a vital precondition to greater access to many other forms of official information.

Dobson alleges 'deadly neglect' on Underground

BY OUR POLITICAL CORRESPONDENT

A REPORT prepared by the London Fire Brigade on conditions throughout the capital's Underground system represented "a roll-call of deadly neglect", Mr Frank Dobson, the shadow Leader of the Commons, claimed last night.

Mr Dobson, the Labour MP for Holborn and St Pancras, whose constituency includes King's Cross station - where 31 people died in a fire last month - was releasing copies of the normally unpublished annual fire inspection report on the eve of the public inquiry into the disaster.

The fire brigade report identifies potential fire hazards at Underground stations around London and contains details of an inspection carried out at King's Cross at the end of April.

The inspectors subsequently called for the removal of several potential fire hazards at the station - such as cardboard boxes, sacks of rubbish and oil drums -in the booking hall and on platforms. There is no reference to the escalator involved in last month's fire.

The report also suggests fire hazards were identified at other Tube stations where there have been serious fires, notably Oxford Circus and Goodge Street. Mr Dobson said he did not know what action had been taken since the station reports had been compiled.

LRT said last night that it had already carried out all the fire brigade instructions concerning King's Cross before the fire and had instituted a "clean-up" campaign on the entire system.

Extradition from Ireland 'could be more difficult'

BY IVOR OWEN

EXTRADITING alleged terrorists from the Irish Republic to Britain could be made more difficult by introducing a new procedural stage involving the Irish Attorney General, **Mrs Margaret Thatcher**, the Prime Minister, told the Commons yesterday.

She agreed with **Mr Michael Mates** (C, Hampshire East) that new safeguards designed to provide added protection for Irish citizens in such circumstances would have the effect of making Britain the "most least favoured nation" in regard to extradition proceedings.

The Prime Minister emphasised that the Irish Government had decided to go ahead with the new procedures despite representations by the British Government.

She explained that it was proposed that the Irish Attorney General would have to satisfy himself as to the intention to prosecute the fugitive and the sufficiency of the evidence.

To cheers, she stressed: "It is essential that we maintain effective extradition arrangements so that there is no hiding place for terrorists."

Mrs Thatcher also made clear her distaste for what **Mr Leon Brittan** (C, Richmond Yorks) described as "the deeply deplorable" deal made by the French Government which resulted in the release of an Iranian terrorist suspect.

He contended that to participate in such deals virtually guaranteed that more hostages would be taken in future.

PM to visit Kenya and Nigeria

By Peter Riddell, Political Editor

MRS Margaret Thatcher is to visit Kenya and Nigeria in the first week of January.

Her first visit to both countries was confirmed yesterday by Downing Street. She will be in Kenya from January 4 to 6, and will visit Nigeria on January 7 and 8.

President Moi of Kenya visited the UK last March.

More training for black S Africans

BRITAIN yesterday announced it would provide a further 20 places costing £200,000 a year for black South Africans wishing to train in the UK.

In reply to a parliamentary question, Mr Christopher Patten, Minister for Overseas Development, said Britain's total commitment for assistance to black South Africans, was more than £21m over five years.

Private care defended

BY IVOR OWEN

A PROPOSED new pay structure now being considered could improve the prospects of nurses working in "key specialities", **Mrs Margaret Thatcher**, the Prime Minister, disclosed in the Commons yesterday.

She again defended private medicine and stressed that those able to benefit from it did not take up beds in the hospital service.

Ms Joan Ruddock (Lab, Deptford) opened the exchanges by asking the Prime Minister what advice she would give to a nurse engaged in an intensive care ward who after five years of training earned £7,600 in the NHS and could secure an extra £5,000 a year in the private sector.

Mrs Thatcher, shouted down by the Labour benches, replied that nurses working in intensive care wards now earned far more - 30 per cent in real terms - than when the last Labour Government was in office.

Pride of Bexley mauls Baker bill

A GREAT roar of approval went up from Labour MPs in the Commons yesterday as the leader of the opposition from Old Bexley and Sidcup relentlessly performed a devastating demolition job on the Government's Education Reform Bill.

As former Tory Prime Minister Ted Heath resumed his seat, the delighted Labourites clearly felt that the the case against the bill could not have been put better from their own benches.

In fact it had not been bettered from the Labour front bench, even though Jack Straw, the shadow Education Secretary, had put up a very commendable performance.

It was his bad luck that he was overshadowed by the gripping parliamentary theatre that followed as Ted launched a savage attack on his old protege and former parliamentary private secretary, Ken Baker, the Education Secretary.

Mr Straw had drawn attention to this relationship when he pointed out that Mr Baker had once been a passionate supporter of Mr Heath and had masterminded one of his general election campaigns. Yet these days he was just as passionate in his support of Mrs Thatcher's policies.

Caustically Mr Straw observed: "No one could ever accuse the Secretary of State of placing principle before the main chance."

Naturally the Tory backbenchers seethed in anger and frustration as Ted pursued his indictment of the bill.

PARLIAMENTARY SKETCH

All the time the young Thatcherites behind him yapped furiously at his heels.

The bill, he said, was divisive and would damage the country.

"Yes, and your speech is intended to be damaging to the Government," snarled one of his erstwhile colleagues. Mr Heath also castigated the Government for only allowing one day's debate on such an important measure. He goaded his tormentors even more by assuring them that he would have been only too glad to give way and hear their objections if only the Government had allowed more time for debate.

Mr Baker shook his head in sad disagreement at Ted's attacks on the bill and former Tory chairman Norman Tebbit did likewise.

There was no doubt, however, that the majority of Tories in the chamber were wholeheartedly behind Mr Baker. He was given a rousing cheer as he sat down at the end of an impressive and witty speech which confirmed him as probably the Cabinet's most formidable performer at the despatch box. He said the aim of the legislation could be summed up in three words - standards, choice and freedom.

One Labour critic shouted an alternative choice of words - "pretty bloody awful."

JOHN HUNT

Open University to form school of management

BY MICHAEL SKAPINKER

THE OPEN University is to set up a school of management which it says will be the largest management training institution in Britain.

The school, which will begin operating in January, will offer courses leading to a Masters of Business Administration degree. Professor Andrew Thomson, the school's dean and director of studies, said yesterday that the Open University would be training 20,000 managers annually by 1993.

The school will incorporate and build on the Open Business School, which was set up in 1983 as part of the university's Continuing Education Division. The Open Business School had an enrolment this year of 6,382 students following courses leading to the Professional Diploma in Management.

The School of Management will be a separate faculty, the Open University's seventh. The others are arts, mathematics, science, technology, social sciences and education. The Department of Education and Science is to contribute £400,000 annually towards the school. The grant will be for three years in the first instance.

The establishment of the school follows the publication of two reports earlier this year calling for a dramatic increase in the quality and quantity of British management education.

One of the reports, by Professor John Constable and Mr Roger McCormick, said that only 2,200 UK students received post-graduate degrees in business or management in 1985. The report also found that employers regarded existing MBA courses as too academic and removed from the problems confronting managers at work.

Prof Thomson, who chaired one of the working parties which provided the background for the Constable/McCormick report, said that "the real challenge for management schools in the 1990s is to marry university materials and standards to the need of individual managers and organisations. I see the new school as being uniquely placed to achieve this on a large scale."

He pointed out that the Open University's distance learning methods would enable managers to remain in their jobs while they studied. He said they would be encouraged to use problems confronting their own organisations as the basis for course projects.

Students with good honours degrees will be able to complete the MBA in three years. Students without qualifications will have to acquire the existing diploma before moving on to the MBA, a process which could take four years altogether. Fees, which will usually be paid by the employer will be about £800 a year.

Unions warn over sale of Crown Suppliers

BY DAVID BRINDLE

THE GOVERNMENT will today be warned that privatisation of Crown Suppliers, the central purchasing agency for government departments, would damage or even put out of business many small manufacturing companies.

Trade union leaders representing the agency's 1,900 employees will tell Mr Christopher Chope, junior environment minister, that the effects would be felt particularly in areas of high unemployment.

Mr Chope is expected to announce soon a decision on privatisation. Although he is believed to be keen on an early sell-off, no fewer than four reports commissioned by the Government over the past two years have been, at best, lukewarm about the prospect.

The unions will tell the minister that about a third of Crown Suppliers' purchases are from companies employing fewer than 100 workers, often chosen because they are in designated areas and sometimes because they are sheltered workshops for disabled people.

If the agency is privatised, the unions will say, its purchasing policy will be scrapped and many small companies will suffer.

Crown Suppliers, which has a £235m annual turnover, has exceeded its profit target every year since it was established as a trading fund in 1976. The agency's board has told Mr Chope that staff are heavily opposed to privatisation.

Record £75m raised by venture capital group

BY CHARLES BATCHELOR

ALAN PATRICOF Associates, an independent venture capital group, has raised a record £75m to finance new ventures. Half of the sum raised will be devoted to start-up and early stage companies.

APA Ventures III is more than twice the size of any previous finance pool raised by a UK venture capital group unaffiliated to any larger financial group.

The fund-raising was completed after the stock market crash of November 19, but most of the money had been subscribed before the downturn, which has made institutions more cautious in committing investment funds.

At least 80 per cent of the new fund will be invested in the UK. The rest will be spent in the US and continental Europe but only in companies which have a link with a UK company in the fund's portfolio.

More than half of the £75m has come from investors in Patricof's earlier funds, the £10m APA Venture Capital Fund established in 1981 and the £30m APA Ventures II of 1984.

They include Postel, the Post Office's pension fund; Wolverhampton Borough Council; Clerical Medal and General Life Assurance. Overseas investors include New York Life Insurance; Gannett Retirement Plan; Abbott Capital Management; and First National Bank of Chicago.

Patricof has overseas affiliates in New York, Palo Alto in California and Paris, and has a total of £300m under management.

Manchester jobs body increases profits

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

GREATER MANCHESTER Economic Development Corporation more than doubled its after-tax profits to nearly £1.6m in its last financial year, an increase of £845,000 on 1985-86.

The corporation was set up by the defunct Greater Manchester County Council as its job creation and economic development arm. After long wrangling among some hostile councils, it is now supported by the conurbation's 10 boroughs.

The annual report shows that the corporation is doing well.

Since its launch in 1979 it has advanced loans and investment totalling £8m to 50 small and growing businesses. This has drawn nearly £30m of private sector funding and helped to create 4,300 jobs. The original £8m will be recycled as it comes back through repayment or realisation of investments.

The corporation has also been successful in property markets. It has sold 11 of 13 workshop developments and only 3 per cent of the total 382,000 sq ft involved remains unlet. Of 205,000 sq ft of older property redeveloped, only 2 per cent is still available.

Two companies backed recently illustrate its role. One designer and manufacturer of high-quality children's wear could not get enough bank support to buy new equipment for expansion. The corporation bridged the gap. The company has increased sales by 140 per cent and taken on 30 staff to employ 67 now.

Another business was being threatened with closure by its parent group.

US bank offers prizes for essays

BY OUR ECONOMICS STAFF

AMERICAN EXPRESS Bank has announced that it is offering $40,000 (£21,905) in prizes next year in its competition for essays covering international economic developments and policy-making.

The awards, in memory of Robert Marjolin, the distinguished French economist, mark an expansion of the competition after its inauguration earlier this year.

The 1987 competition attracted 154 entries from academics, economists in government and in financial markets and from private consultants in 34 countries. The 11 prizewinning essays were published yesterday by Oxford University Press under the title Finance and the International Economy.

For next year, essays of not more than 5,000 words on any subject in international economics of relevance to financial markets must be submitted by June.

Recession fears are overstated, says report

By Ralph Atkins

FEARS OF a recession following the slide on world stock markets are exaggerated, National Westminster Bank says in its economic and financial outlook published yesterday.

Mr David Kern, chief economist at the bank, says the slump will cut economic growth in the leading world economies. But he estimates there is only about a 25 per cent chance of recession.

Since the slide began in October, Mr Kern has revised his forecast for the average 1988 economic growth rate of countries belonging to the Organisation for Economic Co-operation and Development from 2.5 per cent to 1.8 per cent. He defines recession as a fall in output over a period of at least a year.

For the UK, Mr Kern has adjusted his forecast of growth in 1988 from 2.8 per cent to 2.2 per cent. This compares with an expected growth rate of about 4 per cent this year.

Economic and Financial Outlook, December 1987. National Westminster Bank. Free to customers from branches.

Alice Rawsthorn on recent changes in an old industry

A step forward in shoe design

THREE YEARS ago when Ms Emma Hope left college she set up in business as a shoe designer. She now makes several hundred pairs of shoes a week to be sold all over the world and this week will open her first shop, in north London.

Ms Hope is one of a new breed of London designers who, along with Ms Christine Ahrens, Mr Patrick Cox, Mr John Moore and Ms Elizabeth Stuart-Smith, studied shoe design and shoemaking and has put those skills into practice through her business.

For years young fashion designers have poured out of art school to set up their own businesses. Making clothes is relatively inexpensive; shoemaking, which involves complex equipment, is costly. As a result scores of fashion designers begin businesses every year but until recently few shoe designers did the same.

Before the emergence of these designers the British footwear industry was the province of the large manufacturers. Companies such as C and J Clark, British Shoe Corporation and FII Group are concerned solely with producing footwear for the multiple retail groups. Their development in the 1960s and 1970s, combined with the recession which ravaged the industry in the early 1980s, spelled the demise of the artisan shoemakers who had flourished in Britain for centuries.

The contemporary designers are the modern counterparts of the traditional shoemakers.

Emma Hope: London designer whose shoes are sold worldwide

Their shoes - for smart shops in big cities such as London, Milan, New York and Tokyo - are steeped in the traditions of the British footwear industry.

All five designers learnt their trade at Cordwainers College in the East End of London. "Cordwainer" is the medieval term for shoemaker and the college is now in its centenary year.

All five rely on the few surviving artisan shoemakers as a source of production.

In the past, one of the problems for prospective shoe designers has been the high cost of setting up a footwear production unit. Even the most basic equipment such as the last, or the mould which forms the shape of the shoe, is expensive. A shoemaker needs a new last every time the height of the heel or the shape of the foot is changed and a pair of lasts costs up to £20.

In theory a system whereby a designer contracts production out to established manufacturers should reduce the cost. In practice it is fraught with difficulty.

Finding leather suppliers can also be troublesome. Ms Ahrens says it is only recently, since the volume of her output has risen, that she has been able to buy direct from tanneries. Before that she was forced to buy, at a higher price, from leather wholesalers.

The decline of the artisans has ensured that it is difficult to find shoemakers who can accommodate more idiosyncratic designs. Although footwear is still one of the staple industries in London's East End, most factories concentrate on volume production

Only a handful of the traditional, high-quality shoemakers have survived. This problem is less pronounced in men's footwear - where the market for handmade English brogues has continued - than in women's. Mr Cox has found it comparatively easy to find artisans for his men's shoes, but almost impossible to unearth high quality women's shoemakers.

Edinburgh institutions 'need 40% more room'

By James Buxton, Scottish Correspondent

FINANCIAL INSTITUTIONS in Edinburgh, Britain's biggest financial centre after London, will need 40 per cent more office space to meet firm expansion plans over the next five years.

The finding, from a survey by Scottish Financial Enterprise, the organisation which represents the Scottish financial services industry, underlines the urgent need for more financial office space in the city.

Until recently the Labour-controlled Edinburgh District Council was opposed to a major expansion of financial services in Edinburgh.

Recently, however, it approved plans for a major development which would include offices in the Fountainbridge area just west of the city centre. Other projects are under discussion.

The survey showed that financial institutions in Edinburgh occupy 1.88m sq ft of office space. They believe they will need a further 743,000 sq ft by 1992.

Professor Jack Shaw, executive director of SFE, said the figures backed up SFE's claim that "the Scottish financial community is on a growth spiral."

The question that kills candidates' hopes

BY MICHAEL DIXON

AMONG the multitude of questions asked by recruiters, there is one which has almost certainly dashed more job-seekers' hopes than any other. Which question is it?

My bet is that few readers will be any more able to guess the solution than I was. The reason is that, like myself, you will probably be trying to recall the worst of the barbed or bemusing queries which have been thrown at you face-to-face across some employer's or headhunter's desk.

If so, you have left something crucial out of account. For, if we are to believe two British headhunters with some 60 years of recruiting experience behind them, any candidate who wins an interview is already past the most dangerous stage.

In the view of David Rodgers and Peter Brooks of the DR Associates consultancy, the question which effectively ends most job-hunts arises far earlier. It occurs when the recruiter in the case stops short in reading your initial application, and wonders: "What on earth does he, or she, mean by *that*?"

As well as being impossible for the absent applicant to answer, it is a question that is also potentially embarrassing for me to discuss.

For one thing, where writing is concerned, it is not only job-seekers who are liable to fail to communicate what they mean - or, still worse, to succeed in communicating something they don't. So even to mention the topic is to risk having stones come crashing through the panes of my own greenhouse.

Another risk involved of course is that Jobs column readers may well all be experts in application-writing and the like already. After all, the past 15 years have given me a healthy respect for your abilities. So I can scarcely believe that many of you could be guilty of what Messrs Rodgers and Brooks call "the peculiar, weird, impolite, stupid gauche behaviour of a substantial minority of candidates who do the oddest things and appear hell bent on convincing everyone in sight that they've never managed a practical thought in all their lives."

There nevertheless remains a possibility that the odd one or two of you might be able to profit from some of the advice the two headhunters give in their privately published book, *Improve Your Image*. Moreover it is a possibility which would seem to be increased rather than diminished by the fact that most readers of this corner of the FT are at a pretty senior level in their work. For as the book observes: "A significant comment from several sources relates to the very poor quality submissions from individuals seeking quite senior posts."

The faults most commonly found in the typical curriculum vitae in particular are specified as:

1.- A belief that any old accumulation of data will do.
2.- Gaps, sometimes of whole years, in the career record.
3.- Overlapping dates which seem to suggest that the applicant was at least once doing two different jobs at the same time.
4.- Exaggerated claims, particularly as to status.
5.- "Stupidly inaccurate" information.
6.- Muddled sequence and messy layout.
7.- Off-putting changes of style caused by the careless updating of the document.

To make things worse, many job-seekers seem to have "no notion whatsoever as to what happens to an application after it goes into the mail." It is almost as though they supposed themselves to be the only person whose outpourings the recruiter has to find time to read.

For instance, one frequent bugbear is job titles which, in themselves, are apt merely to confuse someone working in a different organisation. "It's as well to ... ensure that your particular role is quite clear."

Another example is that when people send their cv with a covering letter picking out the most important episodes in their career, they often deliberately omit those same episodes from their curriculum vitae. Their aim in doing so, David Rodgers and Peter Brooks say, is apparently to make the person looking at the cv to turn back and study the accompanying letter. But all they usually make the recruiter do is to screw up the whole application and throw it in the waste bin.

If those examples happen to have set any readers' ears burning, they might do well to dig in their pockets for £9.95 and buy the book from DR Associates' offices at 3 Guildford Road, Woking, Surrey GU22 7PX; telephone 04862 30351. For while the authors offer a good many more similarly blunt reflections on the widely neglected basics of the job-seeker's craft, I am now going to turn to other recommendations they make which are of a more subtle - albeit sometimes extremely simple - sort.

One piece of advice which is relevant to any of you who may apply for posts with international organisations is that it is possible to start creating confusion in the recruiters mind even by the way you write the date on your application. Although "2/12/87" will clearly convey today's date to British employers, some Americans would take the same symbols to refer to February 12. So it is always best to spell out the month.

Another tip is that, if you have a name such as Patrick Henry, it is sensible to show which of the two is your surname by putting it in capital letters.

Since potential employers often need to photocopy the original application for distribution to colleagues, they will not appreciate letters and cvs which have been folded up numerous times so as to fit into a small envelope.

Silly though it may be for a recruiter to scrap an application for such minor offences, it is surely sillier still for a job-seeker not to take every care to avoid committing them.

Champion

RECRUITMENT consultant Malcolm Campbell of Clive and Stokes International is offering a couple of posts at undisclosed locations in Britain with companies he may not name. Accordingly, like the other headhunters to be mentioned later, he promises to abide by any applicant's request not to be identified to the employer at this stage.

One of the jobs is for a "product champion" to take up an idea developed by a United Kingdom energy-industry group and take the lead in carrying it into the production and marketing stage. The main tasks will be to work out which of the various potential uses of the new product are most favourable to a successful launch, and build up the manufacturing capabilities and team of people required.

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Kleinwort Benson Group

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£43 per single Column Centimetre
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EUROPEAN EQUITY ANALYSTS

£Excellent

Our client is a major UK and international stockbroker which is fully integrated into a well-capitalised investment banking operation. As part of an all-round expansion in its activities we are seeking analysts to research a variety of sectors in Europe. In particular we would like to meet people with two years experience covering Germany, Italy or Spain, or UK Analysts with the requisite language skills and ambition to diversify their experience.

PRIVATE CLIENTS EXECUTIVES

c. £22,000 + Benefits

The continued expansion of the Private Client Department of this *major UK stockbroker* necessitates the recruitment of an executive with two years experience gained in an established private client environment. Suitable applicants will have direct stock market experience, and should be ambitious to attain management status in the short to medium term.

To discuss these positions further, in strictest confidence, *please contact* **Christopher Lawless, Hilary Douglas or Stuart Clifford** on 01-503 0073 (or 01-847 9417 office hours).

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Chartered Surveyor

Property Investment Services

As a result of expansion in our Property Investment Services area, we are looking to recruit a dynamic, ambitious Chartered Surveyor who will play a leading role in the development of our small, specialist team.

The successful candidate will have:
— A property investment background
— First hand knowledge of Property Management
— Experience in Rent Reviews, Lease Renewals and Project Management
— A minimum of three years' post diploma experience

In addition, financial awareness and the ability to place property in the wider investment context is essential. Candidates should have an active concern for the environment and an interest in good architecture.

The remuneration package will reflect the importance of the position and will include a competitive salary and company car, together with the usual financial sector benefits.

If you feel that you would make a real contribution to the performance of our Property Funds through an intelligent approach to the management of our assets, please write enclosing a CV and explaining why you should be considered, to:

Gareth Hughes, Personnel Department,
Kleinwort Benson Group, PO Box 191,
10 Fenchurch Street, London, EC3M 3LD

Kleinwort Grieveson Investment Management

Operations Specialists Change Your City Profile

IMRO **c.£25,000 + Benefits**

IMRO (the Investment Management Regulatory Organisation Limited) is at the forefront of developments in Regulation and Compliance. There are now additional opportunities to join this professional and dynamic company.

IMRO seeks to appoint high calibre individuals with in-depth experience of operations/settlements gained in an investment management company, bank or broking environment. This is an exceptional opportunity to move into a high profile role involving extensive contact with IMRO members. The wide-ranging nature of the roles offered demand technical and personal skills of the highest order.

You will work both individually and as part of a team in assessing potential members as well as undertaking compliance inspections and investigations. These will centre upon fund management and investment advisory business ranging from the major merchant and investment banks to smaller independent concerns.

For further details, please contact **Paul Wilson or Nick Root on 01-404 5751** or write enclosing a full CV to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Strict confidentiality assured.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

Corporate Finance

Executives

City **£Negotiable**

Our client is a young but fast expanding organisation, specialising in the provision of a range of financial services to both quoted and unquoted companies, institutional and individual investors.

Further growth in the corporate finance area has led to a requirement for a young professional to work in the following areas:
- Grooming companies for flotation
- Arranging finance for companies both domestically and internationally
- Asset acquisitions and disposals
- Corporate mergers and acquisitions

Candidates are likely to be accountants or solicitors, aged 27-32, with good communication skills, and some exposure to corporate finance work, who now seek a move into a highly commercial and entrepreneurial environment.

An attractive starting package is offered and subsequent success will be rewarded through promotion and the granting of share options.

Please contact: Lindsay Sugden ACA on 01-404 5751 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

PRIVATE CLIENT FUND MANAGERS

£15,000-£60,000

There continues to be demand for high calibre *Private Client Portfolio Managers* to join major Banking, Investment Management and Stockbroking Institutions, in London and the provinces.

Ideally individuals should be aged 25-35 and have gained at least 3 years day-to-day discretionary or non-discretionary Portfolio Management experience. Attached business is not essential, but would be an advantage.

Whether you are actively looking, or would simply like to be kept informed please contact James Younger at 20, Cousin Lane, London, EC4R 3TE. Telephone 236-7307.

STEPHENS ASSOCIATES
SEARCH & SELECTION IN SECURITIES & INVESTMENTS

STOCKBROKING

OIL ANALYST
A major UK securities house requires an Oil Analyst with at least two year's broking or fund management experience in UK sector coverage.

EQUITY SALES
Our client, a prestigious securities house, wishes to recruit a further Equity Salesperson to service institutional clients. Drive and team spirit essential. Salary package excellent.

RETAILING ANALYST
A well established UK house, backed by a European bank, seeks an investment analyst with minimum of two year's experience in monitoring UK Retailers.

INSURANCE ANALYST
A major UK broking house requires an investment analyst with a through knowledge of insurance companies and at least two year's of covering insurance companies.

Contact Dr Elspeth Davidson

01-439 1701

FUND MANAGEMENT STRATEGY AND MARKETING

A challenging opportunity to gain experience in Trustee reporting and fund management marketing

Our client has an opening for a candidate who is already working in investment management and is keen to develop the skills necessary for future fund or marketing management.

As an Assistant Manager within the Company's highly successful investment team, the job will involve reporting to existing clients, at board level, on investment performance. It will also involve the presentation of the Company's services to prospective clients. The Company has a substantial and fast-growing fund management service, which has been able to build upon an outstanding track record in investment performance.

This is an ideal opportunity for those seeking to develop their career by gaining an overview of asset management and an understanding of global investment strategy. The position has excellent promotion prospects, either within the marketing function or by moving up into fund management.

The position carries an attractive salary and benefits package (including a company car and low interest mortgage) and excellent future prospects. To apply, please write in complete confidence to:– **John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, LONDON SW1H 9BP or telephone 01-222 7733 for a preliminary discussion.**

John Sears and Associates A MEMBER OF THE SMCL GROUP

Assistant Treasurer (Funding)

To be based at our Principal Office in High Holborn. The Successful candidate should be educated to degree level and/or hold membership of a professional body, ideally the Association of Corporate Treasurers.

Nationwide Anglia is the third largest Building Society with an exciting future as a dynamic, customer led, Financial Services Group. We plan to fund part of our future activities by continuing to pioneer Building Society usage of the international money and capital markets. The Assistant Treasurer (Funding) will play a key role in these plans.

We therefore require a high flyer with a successful track record of funding activities together with hedging, to ensure that customer requirements are matched. It is anticipated that this level of experience will have been acquired either with a Corporate Treasury or in a Bank or Local Government.

Salary will not be a barrier for the right applicant, as part of an attractive remuneration package which includes a company car and subsidised mortgage facilities.

Applicants should send full C.V. particulars, including current earnings and describing the relevance of their experience, to the address below:
Richard Wharton, Recruitment Manager, Nationwide Anglia Building Society, *15/19 Bloomsbury Way, Chesterfield House, London WC1V 6PW. 01-242 8822* Ext. 2580.

Nationwide Anglia Building Society

RECRUITMENT CONSULTANTS

a rare and challenging opportunity

The Devonshire Group plc has been formed by a group of experienced international banking and financial recruitment executives.

Encouraged by the promise of continued support by a large number of previous UK and overseas clients, and backed by institutional funds, our aim is to build a business based upon professionalism and personal service, employing consultants of the highest integrity.

Preferably you should be aged 25-35 with at least three successful years of consulting in the banking and financial services sectors. The *rewards will be considerable and will* include an excellent base salary, car, private health scheme and performance-related commission.

If you can demonstrate, either on your own or as part of a team, that you possess the necessary skills, contacts and ambition to succeed in this exciting venture, please contact Roy Webb, Managing Director, or call in to our offices for an early, confidential discussion.

Financial Recruitment Consultants

The Devonshire Group plc

8th floor
7 Birchin Lane
London EC3V 9BY

Tel: 01-626 2150
626 2092

Jonathan Wren

UK CORPORATE MARKETING OFFICERS

£25,000 to £35,000 plus benefits

A number of our clients, prime international banks, are seeking several innovative and highly skilled marketing officers of graduate calibre with excellent contacts in the UK marketplace. The successful applicants will be required to market the banks' corporate and ancillary services and to negotiate and develop the banking/borrowing needs of both new and existing clients.

The remuneration packages offered will reflect the importance of the positions and the experience and potential of the appointee.

For further information please contact
Trevor Williams or Norma Given.

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

CREDIT SUISSE BUCKMASTER & MOORE LIMITED

Our Corporate Finance department continues to expand very rapidly. To ensure this growth is maintained, we need an outstanding candidate capable of bringing the technical skills and personal apptitudes necessary to survive and thrive in a demanding environment.

If you have:

- absolute honesty
- an understanding of raising finance on the Stock Exchange
- a high level of numeracy and literacy
- good presentational skills
- considerable self-motivation and confidence

Then you could help us to achieve our demanding objectives and you can participate in our success.

If you meet our requirements, then contact Colin Mitchell,
Credit Suisse Buckmaster & Moore Limited,
The Stock Exchange, London EC2P 2JT
or telephone 01-588 2868 and contact him now.

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For further information call 01-248 8000
Tessa Taylor Ext 3351 — Paul Maravigila Ext 476
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U.S. EQUITIES

INSTITUTIONAL SALES — LONDON

A position is available for a senior person to join the London Office of an established midwestern NYSE member firm. Good experience with U.K or European accounts is required.

Our regional approach to equity research has established our 25 person analytical staff as a leader in our geographic area.

The autonomy of the London Office requires the candidate to exhibit a high degree of independent initiative.

Compensation will reflect applicant's experience and potential contribution to our U.K. Team.

Interested individuals should apply to:
**Prescott Ball & Turben Inc,
Forum House, (4th Floor) 15/18 Lime Street,
London EC3M 7AP
Tel No 01 623 5992**

SPECIALIST BANKING APPOINTMENTS

BONDS SALES — Salary £45-50,000 p.a.
Highly successful securities house seeks experienced bond sales persons with Swiss German, Swiss French or French mother tongue.

SENIOR MANAGER — 30s/40s — c £40,000 p.a.
PROPERTY FINANCING
Prestigious international bank, committed to City property financing, seeks an experienced banking specialist in this area. The person sought will have had experience of identifying potential City developments, and of arranging financing thereof through syndications with interested banks. This appointment will form part of a carefully planned development of an already successful bank.

CHARTIST — c £35,000 p.a.
International bank seeks commodity market analyst - futures, currency, treasury bonds, gilts - to support its dealing room. 5 years' experience is required.

MANAGER SPECIAL FINANCE Max age 35 — £25-30,000 p.a.
GROUP
Reporting to the head of the special finance group, the manager, special finance, will analyse a wide range of project and asset based financings. He/she will take a primary role infrastructure projects and duties will include client liaison, negotiation of draft terms, credit and documentation.
The background for this appointment will be work experience in a bank in a recognised project finance team or in civil engineering. Accordingly, a degree or similar qualification in civil engineering is essential.

Please telephone Elizabeth Hayford on 377-5040
or write to:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

CREDIT OPPORTUNITY

c£25,000-£30,000+banking benefits+Negotiable Package

"AAA" rated international bank, a major force in the world markets, wishes to strengthen its credit team by appointing an analyst experienced in the UK Corporate Sector.

- **You are interested in developing your credit career within a flexible environment where ability and achievement is recognised.**
- **This is a high profile role working for an organisation committed to developing its relationships with the major UK Corporates; the bank is actively involved in asset based financing.**
- **You will enjoy being part of an expanding organisation which can offer you a stable platform from which to further develop your career.**

If you are interested in the appointment please apply in confidence to Susan Milford — Manager, Financial appointments quoting reference number CG0569.

My client would also like to hear from good calibre, if less experienced analysts who are interested in pursuing their careers within one of the world's major banks.

Telephone: 01-256 5041 (out of hours (0483) 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

TRUST ADMINISTRATION

NASSAU, BAHAMAS

A senior opportunity for a seasoned professional with a major international financial institution

This position will appeal to an experienced Trust Officer who is looking for the opportunity to move into an international arena with a highly respected group. The work is varied, extremely interesting and strongly orientated towards Trust, Agency, Company and Investment management.

The person appointed is likely to hold the AIB Trustee Diploma and will have a minimum of seven years' experience, some of which should have been at a supervisory level. Preference will be given to candidates who can demonstrate practical management skills and the ability to handle volume and complexity with efficiency.

The position carries an attractive tax-free salary and generous employment terms which include annual home leave, non-contributory pension and medical cover and a rental allowance. The Bahamas offer excellent recreational and leisure facilities and enjoy a superb climate.

If you would like to be considered for this appointment, please write in complete confidence to: **John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP or telephone 01-222 7733 for a preliminary discussion.**

John Sears and Associates
A MEMBER OF THE SMCL GROUP

Corporate Finance

Executives

City — £Negotiable

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Please contact: **Lindsay Sugden ACA** on 01-404 5751 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

Hoggett Bowers plc

CITY DIVISION

Executive Search and Selection Consultants
A MEMBER OF BLUE ARROW PLC

European Equity Sales/Research — £ Neg
A prestigious International Securities House requires two quality individuals with at least 2 years experience of European Equity Sales and/or research to join their team. Salary is entirely negotiable according to experience and potential.

Marketing Co-ordinator - Fund Management — c £30,000
An established Group seeks a high calibre marketing strategist to co-ordinate the development of its wholesale fund management business. This position answers directly to the head of the company. Candidates are likely to be aged 25-35 with some experience of the investment business.

Marketing Officer - Trade Finance To £25,000
A European Bank in the City is looking to recruit an experienced Marketing Officer who has extensive knowledge of the trade finance sector. Duties will encompass the development of business within the UK corporate sector and also the maintenance of existing account relationships. The successful applicant should have previous relevant experience gained within a banking environment.

Treasury Marketing Officer — c £25,000
Prestigious British Merchant Bank seeks an experienced Marketing Officer to promote a broad range of Treasury products to an existing/developing client base. The ideal person, probably a graduate, will have had previous relevant experience within a Treasury function. Reporting to the Treasury Manager, then ultimately a Bank Director, the candidate will be a 'team player' by nature with the confidence and ability to establish/develop client relationships independently. Age c 25.

Junior Fund Manager - US Equities £20,000 plus
A leading Securities House is looking for an individual in his/her mid to late 20's with at least 2 years experience of US equities or Fund Management. There are excellent career prospects in this growth area for an individual with strong analytical abilities.

Compliance Officer — £20,000 plus
A Securities House subsidiary of a European banking institution wishes to appoint a Compliance Officer for a section of the company which is becoming increasingly autonomous. He/she will be in their mid to late 20's with a legal background. Experience in a similar role would be useful but is not necessary if the candidate can demonstrate a thorough knowledge of the Financial Services Act.

01-588 4305/6 *Moorgate Hall, 153/157 Moorgate,* **LONDON EC2M 6XB.**

CHIEF EXECUTIVE TO SET UP AND RUN A NEW TOUR OPERATION.

Trans World Airlines is a major corporation establishing a wholly owned company which will plan and operate high quality tour programmes throughout Europe, Middle East and North America commencing in 1989. Expected volumes from the USA are 100,000 customers. The company will be based in London and be responsible for all tour programmes to Europe originating in the US. It will also implement a new line of tour programmes and products from various European countries to the US.

We are seeking an experienced, dynamic and highly motivated executive who can expect an exciting challenge and ample rewards. The position offers excellent basic remuneration and incentives directly related to the results of the division together with the benefits normally associated with a major travel company.

We will be arranging interviews shortly. If you have the qualifications and experience and would like to be considered for this position, please send your C.V. to Ms. S. Drake, TWA Human Resources International, 68 Knightsbridge, London SW1X 7LR. Telephone responses will disqualify.

Trans World Airlines is an equal opportunity employer.

EXCASH LIMITED.

We are now recruiting Nationally and require 200 Consultants to sell pension and Life policies. If you are an experienced Sales person and require an income in excess of £20,000, we will give you full product training by way of a residential course and in field management. We also offer a retainer and Car after a trial period, if you would like to work for a company which will soon be Britain's largest in insurance-Join us now!

We also require Managers who will be responsible for Sales teams of up to 20 persons. If you have a proven track record in insurance with at least 3 Years experience contact us and we will offer you employment which is second to none in the Insurance industry.

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Please State Reference Number AG-3.**

c26.000 +

One of Britain's leading publishers of economic and financial newsletters require an

ECONOMIST/EDITOR

Successful applicants will be c-30-40 years of age and will have a profound and proven knowledge of industrial economic studies, data management, foreign exchange, investment, raw material and metal markets. Knowledge of German an advantage but not essential.

Apply with full details to:
**Messrs Hasain Bulman and Co
212 Strand, London WC2R 1AP**

MAJOR GERMAN BANK

requires a

SENIOR CORPORATE TRADER

With a proven record in marketing Treasury products to Uk Corporate Customers.
The ideal candidate will be a self-starter with the enterprise to build on and expand the existing substantial customer base.
Salary and benefits will be commensurate with the experience of the successful candidate.

Please reply with CV to:
Box A0743, Financial Times,
10 Cannon Street, London EC4P 4BY

INVESTMENT FUND MANAGER

28-35 years **£50k Pkg**

This small and innovative financial services company has enjoyed phenomenal success in a high growth market. With a committed strategy to gain USM status, the success to date has largely been due to the ability to respond swiftly and effectively in an increasingly sophisticated business environment. Consequently, a primary emphasis will be placed on the maximum utilisation of the computer-based information systems. An outstanding opportunity now exists within the management team.

The ideal candidate will have 3 to 5 years experience in the portfolio management of unit trust, investment bonds and fixed-interest securities.

In addition to working with a small team, your technical expertise will involve the development of marketing activity through the coordination and presentation of products to seminar groups.

In order to produce high returns, both on yields as well as management income, computer-based chart and technical analysis will be used to evaluate fund performances and make investment decisions.

The attractive remuneration package is likely to include eligibility for equity participation.

Please contact Anna Marshi of our City Division on 01-930 7850 (evenings/weekends 01-486 0940). Alternatively, write enclosing full details to the address below. All contact will be treated in the strictest confidence.

ROBERT • WALTERS • ASSOCIATES
EXECUTIVE SELECTION
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

Registrar

High-profile Unit-Trust Group Surrey Based

to £25,000 basic salary plus benefits

There are very few senior registration positions available in the finance sector, especially with a unit trust company whose parent is a household name and one of the largest public limited companies in the United Kingdom.

This exceptional opportunity is to head up and expand your own department. Your brief will involve all aspects of running a team, producing an efficient service whilst providing a highly proficient technical back-up for the registration function.

You will probably be aged between 25 and 40 with a sound background in registration gained within a unit trust group, bank or other financial institution. The prime requirement for this post is a high level of technical expertise. Experience of managing staff, whilst not essential, would be a distinct advantage.

The appointee can look forward to a clear and logical career path encompassing new challenges and continuing job satisfaction.

The benefits package, including relocation where appropriate, is excellent reflecting the importance of the position.

For a strictly confidential discussion, please telephone or write to Robin Douglas quoting reference 1084.

FLA
55/56 St. James's St., London SW1A 1LQ. Tel: 01-491 3811.

FINANCIAL • SEARCH • AND • SELECTION

MORTGAGE FINANCE

Business Development Manager

c£35,000 + extensive benefits

This is a key managerial position in the rapidly growing mortgage finance division of one of the UK's largest and most influential financial groups. The Business Development Manager will play a major role in formulating and implementing business strategy to ensure continuing substantial and profitable growth in this very competitive market.

Based in Central London, responsibilities will include managing relationships with wholesale financiers; close liaison with sales and marketing management throughout the group on all aspects of campaigns and new product development and control of a small team monitoring performance and forecasting lending requirements.

Applicants must have strong managerial and communicative skills and the intellect and presence both to negotiate and to make formal presentations. With a proven record in the financial services sector, background could be either financial or sales/marketing with a strong financial awareness.

Salary is negotiable and extensive benefits include a non-contributory pension, car and low cost mortgage.

Please write with full career details to David Tod BSc FCA quoting reference D/667/MF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT

CORPORATE ANALYST

International Bank

This attractive career development opportunity for a young banker is offered by a long established London branch of a leading international bank. Syndicated and commercial loans constitute the bulk of the branch's current business portfolio although its broad spread of activities includes eurocurrency and FX dealing, documentary credits, securities, interest rate swaps and futures trading. Lending strategy is generating increasing business with European commercial corporations and public authorities. The appointment of a Corporate Analyst will provide a new specialist service to this section, both for the bank and its customers.

To fulfil the dual role of assessing credit risk for the bank and providing a financial consultancy service to customers, the appointee must hold a good University degree and offer at least two years appropriate experience of corporate banking gained with an institution of high standing. A pleasantly confident and outgoing personality is sought, so that customers can be serviced directly and career development be pursued in a wider business promotion role.

Salary is negotiable and the remuneration package will include a range of banking benefits.

Please send full C.V. to Mike Blanckenhagen, quoting reference K3077/L

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR.

International loans experience? Fluent Italian?

MARKETING OFFICER SOUTHERN EUROPE

An outstanding career opportunity

c.£25,000+benefits package *City*

Established in the UK almost a quarter of a century, our client is the London Branch of a major Japanese bank, with a network of branches and representative offices in more than 20 countries. Innovation and enterprise are the keynote of their European business, and the London Branch has witnessed especially rapid growth over the last two years, nearly doubling the local staff complement in the process.

Marketing support for the Bank's representative offices in certain Continental European countries is provided on a visiting basis by London. In extension of this policy the Bank now proposes to appoint a Marketing Officer for Southern Europe, principally to support and expand lending operations in Italy and Spain.

Probably aged 25-30 and educated to degree standard, you will have a minimum of 1-2 years' international banking experience, including exposure to cross-border lending. You will also speak fluent Italian, while some ability in Spanish would be advantageous. Mature in outlook, decisive, able and energetic, you will demonstrate the self-confidence and the judgement necessary to initiate and sustain new business opportunities unsupervised, coupled with a readiness to contribute positively in a team situation. Enterprising and ambitious, you will also instantly recognise that this is an outstanding and exceptionally attractive career opportunity offering immense job variety and potential.

Interested? Then write, in total confidence to me, Anthony Singleton, enclosing a detailed CV and explaining why you consider you are ideally qualified for the job.

PLANNED PRE-SELECTION SERVICES
51-53 GRAY'S INN ROAD, LONDON WC1X 8PP

BUSINESS SYSTEMS ANALYSTS

FINANCE AND RISK SYSTEMS

City *Package to £25,000*

Midland Montagu is the investment banking and securities arm of Midland Bank Group. Our acknowledged strengths, in the UK and abroad, are in the areas of foreign exchange and treasury products, Government and corporate bonds, corporate finance, venture capital and investment management.

We have recently started an aggressive development programme which will result in the integration of all our application systems, spanning trading, operational, financial and risk systems. As part of this programme, we are seeking a few key individuals to make a significant contribution to system initiatives in the Finance and Risk areas.

There will be interesting and varied involvement throughout the Company's operations, with an emphasis on financial control, risk management and compliance. Specifically, this will involve liaising closely with senior management to formulate high level designs, translating requirements into functional and technical specifications, and planning and co-ordinating the development, testing and implementation of these new systems.

Candidates should be able to demonstrate a minimum of 2 years business systems analysis and design experience, preferably in an IBM, DEC or Tandem environment. Implementation of general ledger, risk management or other financial control systems is essential and exposure to multi-currency accounting would be an asset.

The application of data analysis techniques is highly desirable as is the ability to project a credible professional image at senior levels. Candidates should also possess a good degree or accounting qualification.

A substantial initial salary is offered, together with an excellent range of banking benefits. A car will be provided for senior appointments.

To apply, please send a CV or telephone for further information to Andrew Menhennet, Manager, Personnel Operations, Midland Montagu, Suffolk House, 5 Laurence Pountney Hill, London EC4R 0EU. Telephone 01-260 0790.

Midland Montagu

ASSISTANT GENERAL MANAGER UK/EUROPEAN MARKETING

Salary £70,000 p.a. negotiable

Our client, a highly respected and renowned international bank, seeks a senior head of UK and European marketing.

The ideal candidate, a graduate, will probably already be an associate director working for a leading bank in the market, will provably be American bank trained and will have extensive experience of and contacts in UK blue chip companies and in French, Scandinavian and Italian corporates.

A full range of commercial banking and capital market products will be covered. Strong powers of leadership are essential to take overall charge of an existing successful marketing team, as is ability to conduct negotiations at the very highest level. The age range is 38-45.

For the right person, a unique opportunity exists for career advancement in this organisation which has a well planned and aggressive development policy.

Please ring Elizabeth Hayford on 377-5040
or write to her at:

LJC BANKING APPOINTMENTS
Devonshire House, 146 Bishopsgate, EC2M 4JX.
01-377 5040

COMMERCIAL LOANS MANAGER

Salary c £20,000 + Benefits

Halifax Building Society, the largest provider of home loans in the UK, is expanding into the commercial loans field and has already achieved a significant portfolio of commercial securities.

This senior post, which will be based in Halifax Head Office, will be responsible for the selection and processing of business for a multi-million pound commercial funding programme and for the future planning and development of the Society's role in this area of activity.

Candidates, who will ideally be RICS qualified, must have had at least 5 years' experience in commercial property dealings and be familiar with the full range of funding mechanisms appropriate to this market. Thorough knowledge of commercial property valuation processes will also be essential.

In addition to an attractive salary range, benefits include the provision of a car, concessionary mortgage facilities, life assurance and BUPA.

To apply, please send a full CV (ref: CLM) to:
General Manager, Personnel and Services, Halifax Building Society, Trinity Road, Halifax, West Yorkshire, HX1 2RG.

HALIFAX
An Equal Opportunity Employer

BANK LENDING

MARKETING EXECUTIVE FOR BUSINESS DEVELOPMENT

Salary negotiable circa £24,000 plus car, other benefits and bonus potential

Greyhound Guaranty Limited, a wholly owned subsidiary of The Greyhound Corporation is a London-based bank undertaking consumer finance and commercial lending in the property and business sectors. It is seeking to add to its marketing team an active and enthusiastic individual who will personally undertake new business development. The job requires good negotiating skills together with a sound general banking background, including credit assessment experience.

Applicants for this position *should send details of their qualifications* and experience indicating current salary to Ms. P. Taylor, Human Resource Manager, Greyhound Financial Services Limited, 11 Albermarle Street, London W1X 3HE.

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– use your business experience in a new career

Business Consultants

London Up to £30,000+ car and benefits

We are already a substantial international organisation with a current expansion of over 20% per annum, which means tremendous opportunities for high-flying professionals. We are establishing a new consultancy group and therefore need additional CONSULTANTS. A primary function is to work with our clients at board level in defining the information strategy to support their business objectives.

Candidates, preferably graduates, must have at least eight years sound experience in one of the following areas.

* Retail banking
* Trading – finance or commodities
* General finance
* Equities
* Settlements
* Retail
* Distribution

You must have made a significant contribution and have proven credibility in your own specialist field, probably as a line manager or Senior Consultant. The ability to recognise the root of a problem is essential as is the capability to communicate with management at all levels. We are seeking individuals who are keen to become established as leaders in their chosen area.

If you feel you have substantial experience in the above areas and would like to explore a career opportunity where progression is limited only by your own ability, then please contact our Advising Consultant – James Baker or forward a full C.V. to the following address:

JAMES BAKER ASSOCIATES
International Personnel Consultants

32 Savile Row London W1X 1AG Telephone 01-439 9311 (24 hour)

Corporate Banking

City

The continued expansion of our activities means that we are seeking to make a number of appointments in our Central – Corporate Marketing area.

CORPORATE MARKETING MANAGER – c£24K + Banking Benefits

Corporate Marketing is responsible for the identification of, and research into, large and medium sized companies with a view to marketing lending facilities and banking services generally. The successful candidate, who will report directly to the Department Head – Corporate Finance, will be able to demonstrate a proven record of account relationship management. It is likely that he/she will be in a similar role already and looking for greater challenge. Applicants should be at least 27, ACIB qualified and have a minimum of 5 years' relevant experience.

SENIOR CREDIT OFFICER – c£20K + Banking Benefits

The prime responsibility will be to identify and analyse, to the highest standards, large and medium sized UK Companies. Relevant experience in risk assessment and in documentation and control procedures is essential. The post supports a team of Corporate Finance Managers who are responsible for providing facilities (including acceptance credits, and Sterling and currency loans), to both Sovereign and Corporate entities.

CREDIT ANALYST – c£15K + Banking Benefits

An opportunity also exists for a credit analyst who will be responsible to the Corporate Finance Credit Officers for the provision of a comprehensive service covering the assessment of credit status and business potential. Applicants should be able to demonstrate some previous experience and knowledge of credit systems and should be ACIB qualified or actively seeking to become so.

You should apply in writing enclosing a full c.v. including details of present remuneration, to:

Mr R Bentley, Development and Training Manager,
TSB England & Wales plc, Administration Centre,
100 Lower Thames Street, London EC3R 6AQ.

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Our standards are rigorous, but if you have the right credentials we can offer the industry's best career development programme. As well as heavy investment in personnel training and development, we recognise potential quickly and promote from within. Financially, we provide a high basic salary and a commission guarantee for your start-up period.

You're successful and relatively happy now, so why move? Frankly we don't want you to make any rash decisions. Get to know us a little first. Call our recruitment consultant Ian Goldsmid, on 01-836 8411 (office hours) or 01-959 4505 (evenings/weekends) for a confidential discussion and further information. Alternatively, write to him, with a comprehensive CV, at Sales People, FREEPOST, VLI House, 68/69 St. Martin's Lane, London WC2N 4BR.

Computer People

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The following are a selection of our current assignments:

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Equity Sales General/Retail	Base Salary £30-50K plus bonus/benefits
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" " - North America	" " £30-40K plus bonus/benefits
German Analyst	" " £30-40K plus bonus/benefits
Position Trader	Negotiable

SCOTLAND

Managing Director (Designate) - Electronics	Base Salary £40-50K plus executive benefits
Managing Director - Financial Services	" " £30-40K " " "
Portfolio Manager - North America	" " £25-35K plus bonus/benefits
" " - Europe	" " £20-30K plus bonus/benefits
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Equity Dealer	" " Circa £20K plus benefits

*NEW YORK * NEW YORK * NEW YORK * NEW YORK * NEW YORK * NEW YORK * NEW YORK*

We have several openings in Fund Management and Broking in New York, including an attractive package on an ex-patriot basis.

Only candidates with relevant working experience should reply.

For further information on the above please telephone, or write enclosing a curriculum vitae to:

John Osbourne or Rennie Miller
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9 South Charlotte Street
Edinburgh
EH2 4AS
Tel: 031-226 5789

Jane French or Richard Fletcher
FLETCHER JONES LTD
4a William Street
Knightsbridge
London SW1X 9HL
Tel: 01-245 6377

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Candidates must have significant experience in the Corporate Finance Department of a leading Issuing House or Stockbroker and must display the ability to initiate, structure and close successful deals.

A substantial remuneration package plus bonus and the usual ancillary benefits will be offered. There are prospects of rapid promotion to the Board.

Please write in strict confidence to:

Mark Phythian-Adams,
Managing Director, Corporate Finance,
Henry Ansbacher & Co. Limited,
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London EC3A 5AN.

Marketing Manager

£30,000 package + car City

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An additional manager is now required to market the Group's services at Board Level to Corporates in the South of England, including London.

You will be aged 25-35, with a background in accountancy, banking, treasury or law and wishing to move into a challenging and intellectually stimulating environment, away from the routine.

Please reply in confidence quoting reference 1519F to:
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item

Independent Treasury Economic Model Club Ltd
Invites applications for the post of

economist

ITEM is a prestigious independent forecasting group comprising economists from a cross-section of industrial and financial companies and sponsored by Ernst & Whinney, the international accountants, advisers and consultants. The group is seeking an experienced Economist to run their economic models and to plan and administer their activities. The job, based in London or Oxford, will entail operating and developing the Treasury's model of the UK economy and a version of Oxford University's world model in liaison with club members.

The successful applicant will have a good degree in economics, and possess a sound knowledge of econometrics. He/she will have at least two years experience of running econometric models, a good knowledge of current economic policy developments, and the ability to communicate effectively in person and in writing the results of forecasts and research projects to club members and the media.

This post offers an exciting challenge to the right person and the salary will be competitive.

Applications with detailed curriculum vitae should be sent to:

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Salary and benefits will be commensurate with the experience of the successful candidate.

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The company was formed with the investment backing of a consortium of major organisations to provide an uncomplicated easily understood share dealing service for the ever broadening base of shareownership in the U.K. Within nine months staff levels have grown from 0 to 150 and the volume of business being transacted is in excess of target. Growth of this kind (and already there are firm plans for extension into other financial service markets) creates the requirement to strengthen the management team at various levels in the organisation.

We would therefore like to talk to ambitious people who have a background in private client stockbroking. What is on offer is a career involving the application of technical stockbroking knowledge, the management of people and also systems based upon sophisticated computing technology.

We recognise that this is almost certainly different to your previous experience in this field. Provided, however, you have the capacity to apply your knowledge in a role with clear management accountabilities in a rapidly growing environment we would be interested to talk to you.

The package on offer should be attractive to those with at least four years experience in relevant areas and the appointments offer career horizons that are probably not available in traditional stockbroking.

Applicants of either sex should apply in confidence to *Michael Johnson on (0962) 844242 (24 hours service)* or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX, quoting ref. 796.

Johnson Wilson & Partners
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CJA

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We invite applications from candidates who, following a sound analytical training, have gained experience in institutional fund management, ideally with a minimum of one year working with full discretion but proficient Assistant Fund Managers will be considered. Working as a member of a small team managing global accounts, currently c.$600m but growing rapidly, the successful applicant will be responsible for the UK equity investments. The funds are actively managed and there will be input to asset allocation, as well as product development and marketing responsibilities. Initial remuneration negotiable £30,000-£40,000 + car, *non-contributory pension, free life assurance, free family BUPA and assistance with relocation expenses if necessary.* Applications in writing or by telephone on 01-638 0680, in strict confidence under reference MUKE4563/FT to the Managing Director:– CJA

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 01-256 8501. FAX: 887374.

HOW MUCH ARE YOU WORTH?

Robert Walters Associates City division specialises in the selection of banking and stockbroking professionals for leading financial institutions.

Our close involvement with our clients places us in a unique position from which to evaluate and advise on both the rapidly changing market and salary levels.

If you have expertise in the following disciplines and would like an evaluation of your current and future remuneration potential, we would be most interested in hearing from you.

- Corporate Finance
- Institutional Sales
- Foreign Exchange
- Gilts
- Futures and Options
- Commercial Banking

For an entirely confidential and non-obligatory assessment, please call 01-930 7850 and ask for Anna Marshi (evenings/weekends 01-486 0940) or Andrew Chancellor (evenings/weekends 01-731 3191).

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66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

Citibank's Private Bank in Berkeley Square has grown to be the largest international private bank in the UK. We now have several opportunities within our Investment Operations Department.

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You will already be totally familiar with the principles of witholding taxes and double-taxation agreements. You will also be in regular liaison with the Inland Revenue – with whom you'll have built up an excellent rapport.

You'll need to be a mine of information on international tax matters, and also be able to advise on areas such as the application of VAT and CRT. You'll have the personal qualities needed to control a small clerical team, and we shall look to you to help automate the dividends process. Experience in a similar role in a smaller bank or financial institution would be an obvious advantage.

SETTLEMENTS AND VALUATIONS

We also have opportunities at Berkeley Square for enthusiastic individuals with experience of securities settlements or portfolio valuations.

Take on any of these positions and you will be rewarded with a competitive salary and range of staff benefits.

If you want to build your career with a progressive international organisation, please send your full career details, including current salary, to Derek Froud, Private Banking Group, 41 Berkeley Square, London W1X 6NA.

We are an equal opportunity employer.

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London Associates with substantial business seek to join a firm wishing to expand its private client base and offering 50/50 commission share.

Please reply to:
Box A0746,
Financial Times,
10 Cannon Street,
London EC4P 4BY

Specialists for Specialists

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Japanese Equity Sales. A number of UK and Japanese institutions are looking for experienced salesmen to sell Japanese equities to UK based institutions. £20,000-£100,000

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Contact: Janet Stockton or Nick Root.

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Eurobond Sales. Four leading houses active in the Eurobond market are currently looking to recruit Senior Eurobond Sales people. Candidates should have a minimum of 2 years' experience with established accounts in the UK, Continental Europe or North America. £50,000+

Contact Jane Harvey.

Equity Research

Shipping and Transport Analyst. A leading UK institution seeks an experienced Shipping and Transport Analyst. £ negotiable.

Engineering Analyst. Well established UK house is looking for an Engineering Analyst with a minimum of two years' stockbroking experience. £ negotiable.

Contact Janet Stockton or Nick Root.

Settlements

A large US Investment bank is currently looking for experienced settlement specialists to join their expanding team. Candidates should have at least 2 years' experience of Eurobonds, equities or FX settlements. £ negotiable

A major European house seeks international equity settlements staff with at least 3 years' experience. £ negotiable

Contact Sarah-Jane Wittridge.

Compliance

A major UK merchant bank seeks a qualified ACA/Lawyer with demonstrable compliance experience to complement its group compliance Department. £35,000

European bank is currently looking for a qualified Lawyer to head the compliance function of its London operation £40,000

Contact Paul Wilson.

Fund Management

Major Japanese house is looking for a top class Fund Manager to cover global equity markets. In-depth experience of all markets is required in this challenging start-up situation. £50,000+

Fund management arm of leading UK stockbrokers seeks Analysts/Fund Managers with excellent experience of the US equity markets to develop expanding US business. c£25,000

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Michael Page City, 39-41 Parker Street, London WC2B 5LH. Telephone No. 01-404 5751

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FLEMINGS
SENIOR TRUST OFFICER

Due to the expansion of Flemings' Isle of Man office, a vacancy exists for a Senior Trust Officer to be responsible for setting up and managing a new department. The ideal candidate will have a professional qualification appropriate to trust work preferably the Institute of Bankers Trustee Diploma and have experience of international trust work at a senior level.

The vacancy arises because Flemings are about to form a trust corporation specialising in the provision of trustee services to existing private clients. An entrepreneurial instinct and willingness to travel so as to promote the business would be a distinct advantage.

A full salary package commensurate with relevant experience is available.

Applicants of either sex should write enclosing their CV to:

Nicholas Owen
Managing Director
ROBERT FLEMING (Isle of Man) LIMITED
3 Mount Pleasant
Douglas, Isle of Man

Treasury Consultancy

Hambros Corporate Treasury Consultants Limited, the new operating subsidiary of the Merchant Bank, is seeking a graduate chartered accountant to join the existing team.

We offer advice to clients on specific foreign exchange and money market problems, as well as on more general treasury issues.

The successful candidate will possess a thorough understanding of treasury products and risk management techniques gained, in all probability, from 2/3 years experience in the central treasury of a large U.K. or multinational company.

The new company has been established to provide a wide range of expertise to our clients. This position will appeal to individuals with flair and strong innovative skills who may not have scope to use these abilities in their work at present.

An excellent salary and a full range of banking benefits will be available to the right person.

Please write, enclosing a detailed C.V. to Mr. G. L. Steward, Managing Director, Hambros Corporate Treasury Consultants Ltd., 41 Bishopsgate, London EC2P 2AA.

HAMBROS

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Negotiable salary

Girobank, one of the UK's leading and most progressive clearing banks, is seeking to strengthen its City based Treasury team by the appointment of a Chief Forex Dealer.

Reporting to the Treasurer, this key position carries responsibility for the bank's foreign exchange and currency deposits trading and for providing competitive foreign exchange dealing services to the bank's customers.

Candidates must be of graduate calibre with considerable dealing and foreign exchange market experience. An outgoing personality capable of strong rapport with customers is essential, coupled with confident negotiating skills. The post could suit an experienced trader who is looking to move into a management role.

To attract the right individual, we are offering a negotiable salary, together with relocation assistance if required.

Please forward a detailed CV, or for more information, contact: Ross Cope, Treasurer, Girobank, 10 Milk Street, London EC2V 8JH. Tel: 01-600 6020 ext 207.

Girobank

EQUITY RESEARCH
U.K. AND EUROPEAN HOLDING COMPANIES

The requirement is for an Equity Analyst covering selected Industrial Holding Companies.

The ideal candidate should have a minimum of two years relevant research experience, be professionally qualified and have good written and verbal communication skills.

Sector experience would be viewed very favourably as would a good knowledge of accounting procedures.

The successful candidate would be working within a small and highly rated team, seeking to expand research coverage.

Please reply, enclosing full C.V., to:
John C. Wellemeyer, Managing Director,
Morgan Stanley International,
Kingsley House, 1A Wimpole Street,
London, W1M 7AA.

MORGAN STANLEY INTERNATIONAL

GROUP COMPANY SECRETARY, BRUSSELS

We are an International and diversified Company and with a Corporate Group Headquarters in Brussels. We now require a qualified Company Secretary aged 35-42 with corporate experience to be based in Brussels to coordinate the regulatory and statutory matters relating to the Companies within the Group Versatility is an essential attribute. An excellent package will be tailored to the right individual.

Reply in complete confidence to Box A0742, Financial Times, 10 Cannon Street, London, EC4P 4BY

North American Analyst

Morgan Grenfell Asset Management Limited is one of the most successful international investment management companies. We are now seeking an additional experienced analyst to join our specialist regional team based in London covering the North American equity markets.

The successful candidate will cover selected sectors of the US market and Canada. He or she would be expected to play an active role in the formulation of investment strategy based on analysis of these markets. In due course there would be an opportunity to manage regional funds.

This is a demanding but potentially exciting opportunity for a self-reliant analyst who would enjoy working in a small team within a large and dynamic firm. Candidates must have a minimum of 2 years experience of the North American markets and are likely to have had 5 years experience of investment analysis in general.

In addition to an attractive salary and bonus scheme, we offer a substantial benefits package in line with the importance we attach to this post including company car, mortgage subsidy, non-contributory pension and BUPA.

Please write, in confidence, with full CV to:

Stephen Brooks
Personnel Manager
Morgan Grenfell
Asset Management Limited
46 New Broad Street
London EC2M 1NB

MORGAN
GRENFELL

International Mergers and Acquisitions

We are seeking ambitious graduates or recent MBA's with existing work experience and an interest in the international mergers and acquisitions market to join a specialist team recently formed to develop the bank's expanding business with Japanese companies investing overseas and foreign companies seeking access to Japanese markets. The team, though based in London, works closely with our Tokyo and other overseas offices.

We are looking for creativity, enthusiasm, self-reliance and commercial acumen. Japanese or other language skills would be an advantage but are not essential. Ideal candidates would be in their mid 20's to early 30's.

We can offer an attractive salary and excellent benefits which include a preferential mortgage scheme, non-contributory pension scheme and private medical care.

Applications including full personal and career details should be sent to:-

Helen Rigby
Personnel Manager
Morgan Grenfell & Co. Limited
23 Great Winchester Street
London EC2P 2AX

MORGAN
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Experienced Institutional Sales Personnel
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Please Apply to: The Managing Director
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The Counting House
53 Tooley Street
London SE1 2QN

Merchant Navy Investment Management Ltd.

MERCHANT NAVY INVESTMENT MANAGEMENT EUROPEAN EQUITIES PORTFOLIO MANAGER

Merchant Navy Investment Management is an independent, profitable, well capitalised investment management company, operating in the city of London and managing assets on behalf of pension fund and investment trust clients.

We now have a vacancy for a portfolio manager to cover Continental European quoted equities. Applications are invited from candidates with experience in European or UK equity fund management, keen to work within a relatively small team where the accent is on individual contribution to the overall effort and where that contribution is recognised and rewarded.

Compensation and appropriate benefits will be competitive and attractive.

If you are looking for a secure base where your success is seen to matter write enclosing your CV to:

John Prigent,
Merchant Navy Investment Management,
30 Finsbury Circus,
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Valuations	To £16,000 + bens

If you are interested in any of the above or have other stockbroking experience, please call Cambridge Appointments on 01-377 6488

or send your cv to:-
Cambridge Appointments,
232 Shoreditch
High Street, London E1 6PJ

RIYAD BANK

Requires A Public Relations Advisor

Incumbent will be expected to provide advice to the Public Relations Department on administrative and technical developments of the Public Relations Division as well as the development of information, advertising and public relations functions at the bank branches

Candidates should meet the following requirements:

1. Must have an experience of no less than fifteen years in the public relations field, including five years at least, as manager of public relations, or in a bank counselling position.
2. Preferably a holder of a university degree in media and public relations.
3. Age, upon employment, must not be more than 55 years.

Qualified candidates should send their supporting documents to the following address:

Riyad Bank
Head Office
P.O.Box: 1047
Jeddah 21431
Kingdom of Saudi Arabia

Attn: Assistant General Manager, Personnel.

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We are a UK based consultancy, currently increasing our operations in Latin America, and as a result, expanding our register of Spanish speaking consultants/experts of all ages for short-to-medium term assignments.

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man aged 48 sold out of his successful business 2 years ago and now regrets it. Looking for any interesting and rewarding opportunity preferably involving overseas travel. Depth of experience in sales, tutoring and management in U.K. and Nigeria. Personable, enthusiastic and looking for a challenge.

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MATTER OF DEGREE -

two in fact. A lady Scots lawyer, aged 34, convinced that they could be more rewardingly used than they are now, would welcome appropriate suggestions from any quarter.

Write Box A0738, Financial Times, 10 Cannon Street, London, EC4P 4BY

Public Relations Executive

seeks position in south Wales area. Extensive experience in private and public sector at senior level. Experience includes working in local authority economic development unit.

Write box A0745
Financial Times
10 Cannon Street
London
EC4P 4BY.

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Group Company Secretary

M4 Corridor

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With a turnover in excess of £100m, this highly successful group has achieved excellent growth through a carefully planned expansion programme, both organically and through acquisition, and is committed to continuing this strategic development.

With unused investment capacity, this is a challenging opportunity for a commercially-orientated executive to assume the post of Group Company Secretary, who will be retiring shortly.

You will be immersed in many day-to-day business, legal and financial activities which will necessitate working closely with the Directors and other senior management. Responsibilities will include involvement in acquisitions and corporate finance, secretarial duties such as insurance, pension schemes, property purchase/management, health and safety, and other corporate matters.

Probably aged around 37–47, you will be a professionally qualified lawyer, chartered secretary or chartered accountant with relevant broad-based experience gained in a public company. Acquisitions experience would be advantageous and it is essential that you have proven investigative and analytical skills. You must have the ability to anticipate problems, recommend solutions and communicate them concisely, and be uncompromising when necessary.

The appointment promises good prospects within the group for a flexible individual with the enthusiasm and dedication to achieve improved company performance.

To apply, please send cv, indicating current salary to Fiona McMillan, Ref: 1831/FM/FT.

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Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
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THE GREAT BRITISH T-SHIRT COMPANY (BRIGHTON)

require an ADMINISTRATOR -INTERNATIONAL TRADE FINANCE Due to continued expansion we require a dynamic, self motivated person to handle our entire Imports financial planning, which will include opening letters of credit, bank documentation, liaison with banks, cash flow, consignment costings etc. Documentary credit experience essential. Excellent salary aae.

Please write with full CV to Chris Smith, The Great British T-Shirt Company, 40, Cheltenham Place, Brighton, Sussex. BN1 4AB

GOVERNMENT RELATIONS
circa £20,000 plus benefits

Owing to expansion, a Westminster based political relations company, with European capability, seeks an experienced and ambitious account handler for several blue chip clients. A minimum of 2 years experience is essential, together with proven flair for winning new business. The successful candidate must have the ability to think strategically and operate at boardroom level.

Apply in confidence to Box A0744, Financial Times, 10 Cannon Street, London, EC4P 4BY

ARE YOU EXPERIENCED IN THE CITY? The DOW-STERN TRAINING ORGANISATION is looking for high calibre people with Personnel/large company/management backgrounds to act as consultants advising companies on our training courses. CV in first instance please. Interviews in the New Year. Write Box A0739, Financial Times, 10 Cannon Street, London, EC4P 4BY

MANAGER OF INTERNATIONAL MARKETING

The American Stock Exchange, the exciting center of securities trading for America's emerging growth companies, is seeking highly motivated, self starting professionals to research and develop our markets overseas.

The successful candidates will be based in our London or Amsterdam offices and will be responsible for implementing a strategy to attract foreign companies to list their shares on the AMEX.

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CONTRACTS

Booking facilities for Spanish cruise ships

One of the largest cruise shipping companies in Europe, Trasmediterranea of Spain, has selected UNISYS to develop and implement its Sirena real-time reservation system. The initial value is estimated at over $2.2 m (£1.2m).

The Sirena marine reservation system will be implemented in two phases and is scheduled to be fully operational in 1989. The initial phase comprises the installation of a Unisys 1100/70 multi-processor system and related software, as well as 200 terminals linking Trasmediterranea's own travel agencies throughout Spain.

The second phase will include the automatic issue of tickets, control of shipments, connection to independent travel agencies and an international distribution system. The Sirena project will cover all of Transmediterranea's traffic sectors which includes shipping lines between the Spanish Peninsular and the Balearic Islands, North Africa, the Canary Islands and routes between the Canaries and Balearics.

*

Orders totalling £1.25m have been won by NI TRANSFORMERS (UK) in both domestic and overseas markets. The UK order, worth £500,0000, is for the supply of power and distribution transformers for the BOC facility near Scunthorpe.

The overseas orders include almost £700,000 from John Brown Engineering for generator transformer and ancillary equipment. The hardware will be used for a gas turbine power station project currently underway in Panama.

The third order, worth almost £100,000, involves the supply of auxiliary and distribution transformers to Balfour Beatty. The latter is involved in upgrading the electrical network in the Republic of Cameroon's north west province.

*

BARRY D. TRENTHAM building contractors, has clinched a £1.2m management contract for the complete refurbishment of Canning House, the old British Telecom offices in Edinburgh as part of a total £4.6m contracts awarded in central Scotland in October and November.

The Canning House project for Tanap Investments (UK) of Kent involves a complete "gutting" of the building, new ceilings, new access raised flooring, new electrics, decoration and replacing all of the 1,200 windows in the office block. The management contract commenced on November 20 1987 and will be completed at the end of April 1988.

The awards include a major supermarket at South Queensferry for Scotmid, a £1.5m warehouse and office block for A. G. Barr in the Gallowgate, Glasgow, landscaping at the DHSS offices at Coatbridge for the S.D.A. and an unusual job at the Royal Commonwealth Pool, Edinburgh, involving the erection of four large water flumes together with an access tower, launch platform and landing pool worth approximately £700,000.

FT LAW REPORTS

Personal influence contract is unenforceable

LEMENDA TRADING CO LTD v AFRICAN MIDDLE EAST PETROLEUM CO LTD

Queen's Bench Division (Commercial Court): Mr Justice Phillips: November 3 1987.

AN ENGLISH law contract for payment of commission in return for using personal influence to procure a benefit from a foreign government minister is unenforceable if, as well as being contrary to English public policy on moral grounds, it is contrary to public policy in the country of performance.

Mr Justice Phillips so held when dismissing a claim by Lemenda Trading Co Ltd to recover commission for using its "good offices" in assisting to procure renewal of a contract between the defendant, the African Middle East Petroleum Co Ltd (Amep), and a Qatar state corporation, Qatar General Petroleum Company (QGPC).

MR JUSTICE PHILLIPS said that Lemenda was a company registered in Nassau and Amep was a company registered in London. The evidence suggested that they were no more than convenient corporate vehicles for the business activities of their respective principal shareholders, Mr Hassan Yassin, a Saudi Arabian, and Mr Fakhry Abdelnour, an Egyptian.

QGPC was the national oil corporation of Qatar and was owned and controlled by the Government. The Minister of Finance and Petroleum was also *ex officio* chairman of QGPC.

By an agreement of August 28 1984 between Amep and QGPC, QGPC was to supply Amep with 750,000 barrels of crude oil per month for six months.

On the same date Mr Abdelnour signed a side letter, confirming that no commission would be paid to anyone for obtaining benefits in respect of the contract, and that contravention of that term would lead to termination of the contract.

In July 1985 the supply contract was renewed for one year for 30,000 barrels per day of crude oil.

Lemenda claimed it was entitled to $2m commission, at the rate of 30 cents per barrel shipped under the renewed contract.

It relied on an oral agreement made between Mr Yassin and Amep whereby Lemenda was to assist Amep in negotiations with QGPC for renewal of the supply contract and, in the event of renewal, Amep would pay Lemenda $30,000 per barrel.

Amep admitted it entered into the commission agreement, but contended that Lemenda was only entitled to commission if it procured renewal before April 1 1985.

There was no dispute as to the overall nature of the agreement. Mr Yassin's task was to use personal influence within QGPC in an endeavour to procure renewal of the supply contract.

The defence raised a plea of illegality.

On the basis of agreed evidence as to the law of Qatar the court found that the commission agreement involved a transaction which was contrary to public policy in Qatar, and was consequently void and unenforceable in Qatar. Had the Minister become aware of the agreement, any chance of renewal of the supply contract would have been destroyed.

The commission agreement was governed by English law. Performance was to be in Qatar.

The evidence did not show that commission agreements in connection with a QGPC oil supply contract violated any provision of Qatar law but, as a matter of official practice, it was prohibited and was accordingly contrary to Qatar public policy.

There was a clear distinction between acts which infringed public policy and acts which violated provisions of law. Qatar public policy could not of itself constitute any bar to enforcement of the agreement. It might, however, be a relevant factor when considering whether the court ought to refuse enforcement on English public policy principles.

In a number of cases the English courts had, on grounds of public policy, refused to enforce an agreement whereby one party was to be paid by the other for using personal influence to procure a benefit from a third party.

In *Montefiore* [1918] 2 KB 241 the plaintiff claimed under a contract which he alleged entitled him to commission for procuring a government loan to the defendants, to be used for the manufacture of aircraft components.

Mr Justice Shearman said "it is contrary to public policy that a person should be hired for money... when he has an access to persons of influence to use his position and interest to procure a benefit from the government".

The facts there were close to those of the present case.

From somewhat sparse authority it was possible to deduce the following principles:

(i) It was generally undesirable that a person in a position to use personal influence to obtain a benefit for another should make a financial charge for doing so, particularly if his pecuniary interest would not be apparent.
(ii) It was undesirable for intermediaries to charge for using influence to obtain contracts or other benefits from persons in a public position.

It was a feature of decided cases that contracts invalidated on public policy grounds had involved influencing someone in a public position, though whether that was an essential element had yet to be decided.

In certain circumstances the employment of intermediaries to lobby for contracts or other benefits was a recognised and respectable practice.

In the present case the significant facts were (i) that the influence to be exerted by Mr Yassin was on the controlling minister of a state-owned corporation; (ii) it was essential that the person influenced should be unaware of Mr Yassin's pecuniary interest; and (iii) the amounts at stake, in terms of value of the contract and size of the commission, were enormous.

Had the agreement related to procurement of a contract from a British government department of a state-owned industry, there was no doubt it would have been unenforceable by reason of English public policy.

The question was whether that policy was a bar to enforcement, having regard to the fact that performance of the commission agreement was to take place in Qatar.

Some heads of public policy were based on universal principles of morality. Where a contract infringed such a rule the English court would not enforce it, whatever the proper law of the contract and wherever the place of performance.

Other principles of public policy might be based on considerations which were purely domestic. There seemed no good reason why they should be a bar to enforcement of a contract to be performed abroad.

The principles underlying the public policy in the present case were essentially principles of morality of general application.

The practice of exacting payment for the use of personal influence, particularly when the person to be influenced was likely to be unaware of the pecuniary motive, was unattractive whatever the context.

Yet it was questionable whether the moral principles involved were so weighty as to lead an English court to refuse to enforce an agreement regardless of country of performance and its attitude to such a practice.

Later English decisions were influenced, at least in part, by the effect of the practice on good government in England. It was relevant to consider the law of Qatar.

Qatar had the same public policy as prevailed in England. Because of that policy Qatar courts would not enforce the agreement.

English courts should not enforce an English law contract to be performed abroad where (i) it related to an adventure which was contrary to a head of English public policy founded on general principles of morality; and (ii) where the same public policy applied in country of performance so that the agreement would not be enforceable there.

In such a situation international comity combined with English domestic public policy to militate against enforcement.

For those reasons the court would not entertain the action, and the claim was dismissed.

On the evidence, had the claim been justiciable in the English court, it would have failed on the ground that Lemenda did not prove it had earned the commission claimed.

For Lemenda: Stephen Silber QC and Stephen Phillips (Field Fisher & Martineau).

For Amep: David Bean (Lovell White & King).

By Rachel Davies
Barrister

Television/Clement Crisp

Ballet on the box

The rewards and problems of dance on television have lately been highlighted by two BBC programmes, diametrically opposed in their approach to showing movement on the small screen. "Would you trust the steps?" asked George Balanchine of a director who proposed filming one of his ballets. His fear, and it is one recognised by every dance-lover, was that directoral cleverness, raging insensitivity to the integrity of the dance as of the dancers, would produce a travesty of steps and performance style. With Colin Nears' triumphant version of Grigorovich's *The Golden Age*, which was part of BBC2's recent Shostakovich season, the answer to Balanchine's qestion was an unequivocal yes. Here was the ballet as we have known it on the stage, surging with choreographic excitement and interpretative splendour that were exactly caught for the viewer.

With Gillian Lynne's *A Simple Man*, recently shown, and specially conceived for television, the steps were an integral part of the camera work as the world of L.S.Lowry's paintings was rethought in screen terms. Through dissolves between dance and pictures, and with a scrupulous acceptance of Lowry's colouring and eye for costume (the designers David Wilson and Tim Goodchild wonderfully sensitive), Salford's stick-people came life, and the paintings seemed for a moment like freeze-frames from a world of movement. The programme was imaginative, stimulating, and held together by Christopher Gable's fascinating impersonation of Lowry, even if the musical and choreographic components were no more than slickly adequate.

When television accepts that it has to initiate dance conceived for the camera as well as for dancers, there can result such memorable programmes as Merce Cunningham's *Points in Space*, which the BBC commissioned earlier this year. Visually ravishing, it acknowledged Cunningham's expertise with the camera as part of the creative process. As with those earlier and brilliant exercises - Twyla Tharp's *The Catherine Wheel* and the Kenneth MacMillan-Jack Gold *A Lot of Happiness* - the inevitable limitations of the small screen were overcome and dance seemed entirely apt for the medium.

But besides making dance for television, broadcasters have a duty, and I am persuaded that it is a duty and not merely a matter of choice, to show the finest examples of the dance theatre to audiences who may never have the occasion to visit those great opera-houses where ballet is at its grandest. Thus the real importance of such a transmission as *The Golden Age* from the Bolshoy Theatre, Moscow. Colin Nears' direction caught the spirit of the piece - its vivid awareness of Soviet art in the 1920s, not least in Virsaladze's evocative design; its complexity as a portrait of an age viewed after the passage of half a century by a society still examining its identity - and also the splendour of its interpreters: to have Bessmertnova, Mukhamedov, Taranda, Golikova, filmed at this moment in their careers is a service to posterity. (The mechanics involved in transferring an existing dance-work to the screen are exposed with illuminating exactness by Mr. Nears in an article in the December issue of the journal Dance Research in which he analyses the preparation and shooting script of his recording of Siobhan Davies' *Bridge the Distance*.)

Our ballet critic discusses the problems posed by putting dance on the screen

We can, incidentally, anticipate further dance programmes of this kind before the year's end. The BBC has plans for Nureyev's *Cinderella* from the Paris Opera, starring Sylvie Guillem and Charles Jude, as well as a spectacular involving the artists of the Kirov Ballet and Bejart's troupe, filmed during the Leningrad White Nights this summer, while Channel 4 is to show Bournonville's *Napoli* in an exhilarating performance by the Royal Danish ballet, led by Linda Hindberg and Arne Villumsen. If Christmas brings anything more happily intoxicating than *Napoli's* final tarantella with its fizz of dances and musket shots, I shall be surprised.

But dance is expensive to bring to the screen. Fees for artists and orchestras are an initial hurdle, and in these stringent times, the question of programme sponsorship has become increasingly urgent.

Co-production arrangements made possible Derek Bailey's two fine series for the BBC - *Dancer* with Peter Schaufuss, and *Ballerina* with Natalia Makarova - yet much more could be done were direct funding from commercial sources acceptable. The present situation is an intriguing example of the confused standards which obtain in relation to the BBC's charter and, I infer, the rules governing the independant channels. The BBC can, with no loss of propriety, cite a funding source in programme credits - as it does for sports programmes - if an event has been presented by a sponsor and cameras are then, as it were, invited to transmit that occasion. Due acknowledgment of such funding satisfies the sponsors, and can, indeed, help make the event possible. But without amendment of its Charter, direct funding of BBC programmes is not possible. As someone who has been slightly involved in seeking to raise moneys for television dance series, I recognise that sponsors are unwilling to hand over considerable sums (a one-hour dance programme can involve a budget of £250,000) when no acknowledgment of their involvement is permissible, albeit subsequent overseas showings can bear full recognition of the sponsor's role.

Change in this situation is desired by the government, as it must be by the BBC's executives and, more immediately, by its producers and directors. Matters are reportedly on the move, and before many more dance and arts programme ideas bite the dust of oblivion through shortage of cash, some amelioration of the situation has to be brought about. The recent arrival of new controllers of BBC1 and BBC2 (and Alan Yentob of BBC2 has spoken of his wish for greater arts coverage) encourage hopes for change, not least through greater involvement of independent producers who can tap new sources of funding. That there may be dangers in the extent of commercial involvement in such programme-making is something that can be obviated by proper regulation. The greater danger lies in the loss to the public of important and rewarding viewing if commercial sponsorship is not accepted as a fact of television.

Christopher Dunkley is on holiday.

Natalya Bessmertnova and Irek Mukhamedov in the Bolshoi Ballet's production of Shostakovich's "The Golden Age"

Scene from Gillian Lynne's ballet celebrating the life of L.S. Lowry

A Simple Man/Manchester

Clement Crisp

The transfer to the stage of the television ballet *A Simple Man* has been made by Northern Ballet Theatre, by whom the work was conceived and presented on the screen. The result is effective, thanks in no small part to the designer Tim Goodchild's skilled realisation of the images in L.S.Lowry's paintings. Whether by chance or no, this was the only ballet in NBT's programme at the Palace Theatre on Monday night to escape austerity of appearance: the other works on the bill looked bleak, and gave the evening a dour, penny-pinching air.

A Simple Man combines two themes rather uneasily. Lowry's part veristic, part caricatured view of the North is set against his claustrophobic relationship with his mother. Gillilian Lynne's treatment of these matters breaks no new choreographic ground: shawled women and flat-capped men bustle about; the artist and his mother speak to us in Freudian argot of appeals, deceits and private frustrations.

What redeems this latter element is the thrilling rapport existing between Christopher Gable as Lowry and Lynn Seymour, newly cast as his mother. Mr Gable, sloping through the world of his paintings in a dreadful suit and macintosh, is a watchful, quizzical figure. In domestic scenes, repressions flare and we see the fine maturity of a dance artist whose early performances remain in the memory still by their sincerity and expressive clarity. Miss Seymour plays the selfish, devouring mother with all her usual finesse: she can give the least gesture, the slightest glance, an amazing and sometimes appalling potency: Mrs Lowry's playing at sickness is given away with a single calculating look. The dancing is minimal, but the Seymour line is true as ever, and it is worth going to Manchester to see those exquisite feet once more, even when caught in grey buttoned shoes. In partnership, both artists transcend the ballet, and also raise it to unexpected levels of emotional dignity.

A Simple Man has values over and above those of its components. (I am not lost in admiration of Carl Davis' cheery score, or of Gillian Lynne's somewhat predictable dances.) It is, though, a regional work for a regional company that speaks vividly of its native heath. It shows off its cast well, and it helps break the hold of classical politenesses that appeared to me to be an artistic fate which NBT had unwisely chosen. The *Aurora's Wedding* which closed the evening - an eager and unsuitably danced view of the last act of *The Sleeping Beauty* - was a horrid warning that such wizened approximations of a masterpiece are the most dangerous way of catching an audience.

One other novelty was on the bill, also inpired by an artist, or more correctly, two artists, since Michael Pink's *Memoire Imaginaire* dealt with two passionate encounters between Berthe Morisot and Edouard Manet. There was an agreeable new score by Philip Feeney, and much emotion from Mireille Bourgeois as Morisot. There is not much historical credibility to the two duets, and this showed in the choreography. The evening began with Amedeo Amodio's *Suite Italienne*, which the programme calls "witty." This, I suggest, is a misprint for "bitty," for the piece is no more than a chatter of steps decked out with commedia dell'arte roguishness - a *dire combination*.

"I am tired of people saying that I am self-taught. I am sick of it." L.S. Lowry (1887-1976) emphatically dismissed the assumptions made about his work - he attended life classes for 12 years - but delighted in shrouding himself with myths of his own making. He told friends and critics, for instance, that he did not need to work for a living, and successfully concealed from them his life-long job as a rent collector.(It is in his worker's garb of cap and coat that he chose to paint himself, above, in 1925.)

Lowry's industrial townscapes, peopled by "matchstick men" scurrying along the streets of his native Salford and Manchester, or subsumed, ant-like into surging rythmical crowds, established the artist as one of the most popular if idiosyncratic of all modern British artists. But they also belie the range of Lowry's painting, and its subtlety and emotional complexity.

Salford City Art Gallery's recent major Lowry centenary retrospective showed early Impressionistic canvases and pastel drawings, desolate seascapes, panoramic Welsh landscapes, and expressive, agonised portraits, to complement the familiar streets and smoking chimneys. It revealed both his humour and a perverse interest in the ugly, cruel, and grotesque.

L.S. Lowry in his working garb of cap and coat: self portrait, 1925

A travelling exhibition of 80 selected paintings and drawings, highlighting the various stylistic devices the artist employed to express what he called his "outlook or message", has been organised by the South Bank Centre and sponsored by the Royal Bank of Scotland. It tours to Cleveland Art Gallery, Middlesborough (December 5-January 17); Herbert Art Gallery and Museum, Coventry (January 23-February 28); Stoke-on-Trent Art Gallery (March 5-April 17) and Royal Albert Memorial Museum, Exeter (April 23 -May 29).

Susan Moore

Dreams of San Francisco/Bush

Michael Coveney

Everything is nearly right about this sparkish comedy at the Bush except the title. Jacqueline Holborough's new play, confirming the promise of *The Garden Girls*, has the unlikely setting of a Darlington Arts Centre. A women's theatre group disintegrates backstage while an auditorium fracas attracts lesbian dog-fight headlines.

The aggressive saxophonist, Caroline (Joanna Monro) does indeed want an exit visa to California. But the other feminists have dreams of leaving, too (David Hare pinched that one, the right title): Alex(Jenny Lecoat, the stand-up comedienne proving she can function normally) wants to be sensibly, commercially exploitative, rather like, one imagines, the Bush Theatre management; stage-struck Polly (Sarah Winman, a notable newcomer) has escaped the dismal middle-class conformity of a scrap metal dealing (but flower-throwing) father and gin-swilling mother by tapping her way through virginity; and Susan (Caroline Holdaway) is facing a 30th birthday with a heavy heart and a wish to exchange idealism for reality - "I'm a performer, not a political activist...I don't want a struggle, I want things."

This sense of people engaged in activity, feminist theatre, as a substitute for living happily with themselves and others is very potent in the play, which reeks of close but amused observation of "project" funding do-goodery at the Arts Council, bleak nights on the circuit at Warwick Arts Centre with fund-raising aftermaths at women's discos, and rows in the cosy co-operative confines over misinterpreted cruise missile exhibitions: "We can't play with a load of pricks in the foyer."

At the same time, this is genuine feminist theatre. It has the rare grace and wit, under the direction of Simon Stokes (a token male, no doubt), to see the pitfalls of segregationism in art - or anything else - and to both make fun and to delve deep. The beautifully played encounters between Polly and the under-age Glaswegian driver and stage assistant, Bony (Dawn Archibald, whom I remember as a nude, anorexic acrobat in a long distant, very fine, People Show), are instinct with the shimmer and fascination of building social and emotional bridges.

This is a fresh and illuminating look at the self-professed women's theatre movement, and one that mercifully deprives male critics of the jokes at its expense. A dog it is that dies, and the show goes on to a "Blue Moon" sheeny cabaret finale. Three girls go into showbiz, the saxophonist vomits and leaves. Brilliant performances by Misses Holdaway and Monro sum it all up.

Joanna Munro Alastair Muir

Obituary/James Baldwin

Anthony Curtis

The death of the black American writer James Baldwin at the age of 63 silences one of the most eloquent voices against racial injustice of the century. Baldwin first emerged a not as a novelist but as a critic. It was at the end of world war two in the pages of Partisan Review where he wrote an article on Richard Wright, a powerful black writer of an earlier generation.

Baldwin, living in Paris at the time, was then in his late twenties and struggling to write a novel based on his father, a Harlem preacher. When it was published in 1953 as Go Tell It On The Mountain Baldwin's reputation was made. He continued to write critical articles as well as novels. In both he attacked the stereotype of the black man as it had been presented in American folklore whether from the pen of Harriet Beecher Stowe or through the lyrics of Porgy and Bess which he loathed. His long essay The Fire Next Time was his most memorable indictment of the stereotype.

Baldwin tried to avoid becoming stereotyped himself by turning to other themes in his fiction. In Giovanni's Room (1956) he identified with his white hero in a study of homosexual passion. As a homosexual himself he "came out" long before the time it was fashionable so to do. In his later books he portrayed himself wryly as a somewhat passe liberal adrift in the period of militant black power.

By now he is almost ready to be rediscovered. Indeed one could watch the beginning of the process in the success of the recent London production of his play, The Amen Corner.

Finest private collection of Dutch paintings bequeathed to the City

The Corporation of London, not known for its interest in art, has been bequeathed one of the finest collections of 17th century Dutch paintings in private hands. Eighty three pictures acquired by the late Lord Samuel have been given to the City and will hang in the Mansion House, the official residence of the Lord Mayor.

The main attraction is "The Merry Lute Player" by Frans Hals, which cost Lord Samuel $600,000 in 1964 but would be worth at least £6m today. Also included are paintings by Avercamp, Jan Steen and Pieter Claesz. Lord Samuel left the paintings to his widow for her life time but she has decided that his planned eventual home should receive them at once. Before the paintings, valued conservatively at £20m, arrive at the Mansion House there are plans to show them in the Barbican Art Gallery.

The bequest will pose problems for the Mansion House, which is not the most accessible public place.

Saleroom/Antony Thorncroft

Record for a Degas

After the Lord Mayor's Show....Christie's kicked off London's week as the international centre for top quality Impressionist and modern works of art on Monday night with an auction which totalled £22.4m and achieved a record price for an Impressionist painting of £7.48m, paid for Degas' portrayal of two laundry maids, "Les Blanchisseues."

Yesterday Christie's disposed of lesser works of the period, and added a further £3,792,200, with 35 per cent unsold. This just about sums up the market. The top end is fairly satisfactory given the collapse of the dollar and of the worlds' stock exchanges, but anything below top rank is finding buyer resistance.

The unsold percentage on Monday night was 22, and although there were some surprising failures, especially two pretty paintings by Renoir, an important Picasso portrait of his mistress Fernande Olivier, and two major Moore sculptures, there were also some high prices paid, for Braques and Bonnard in particular. The first painting Gauguin completed in Tahiti "Les trois huttes," was at the lower end of its estimate, selling for £2.42m.

Yesterday prices were much more modest. The top price was £121,000, which was paid for "La Baie d'Alger" by Albert Marquest and the same sum secured "Vache bleue et rouge" by Jean Dubuffet. A Van Gogh of a green parrot, painted in 1886, went for £110,000, confirming that not all his paintings fetch mega millions.

There was much happening elsewhere.Phillips sold a Louis XIV commode in the style of Boulle for £181,500 and Christie's held a sale of Old Master prints which totalled £472,186 ,with 10 per cent unsold. The top price was the £37,000 paid for an album of Goya etchings, consisting of eighty plates of "Les desastres de la guerre." The price was comfortably above forecast, as was the £35,800 paid for a set of 21 engravings from Blake's "Illustrations of the Book of Job," which had carried a top estimate of £12,000.

*

The Courtauld Institute confirmed yesterday that it would be moving its excellent collection of works of art, and its students, into Somerset House in 1989. It is a happy ending to two problems: what to do with the north block of Somerset House, built by Sir William Chambers in the late 18th century and for long under-exploited, and with the Courtauld Institute, perhaps the chief teaching body for art history in the country and the possessor of Samuel Courtauld's magnificent art collection, especially strong in Impressionists, but scattered around sites in London.

So far £4.75m. has been raised to finance the transfer, enough to start converting the north block into an art gallery and a teaching institution, thus uniting the two main responsibilities of the Courtauld. Another £1.25m. remains to be found but all involved are hopeful, and the contracts have been signed. The new Courtauld, conveniently placed for theatre land, should soon become one of London's most popular art galleries. It also returns the site to its original use: the Royal Academy was an early tenant of Sir William's "Fine Rooms."

Arts Guide

November 27 - December 3

Theatre

LONDON

Separation (Hampstead). Powerful sequel to Duet For One by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight agoraphobic playwright. David Suchet and Saskia Reeves give all in Michael Attenborough's production. (722 9301)

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, **Sarcophagus**, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (236 5568/ 638 8891)

A Man For All Seasons (Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren. (836 8888)

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. (928 2252)

The Phantom of the Opera (Her Majesty's). Spectacular and emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/ 240 7200)

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795)

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey - all good. (379 5399)

Melon (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings; not vintage Gray. (930 9832)

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565)

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252)

NETHERLANDS

Amsterdam, Garden Hotel Theatre. Lord Greystoke Productions presents The Woolgatherer, a modern comedy by William Mastrosimone directed by John Hartnett. (Wed to Sat) (64 21 21)

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211)

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262)

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200)

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626)

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200)

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200)

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510)

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033)

The Mahabharata (BAM Majestic). Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3. (947 5850)

TOKYO

Noh. Performances are usually at weekends. Details in Tokyo English dailies and tour companion available at hotels. Two handy little books, A Guide To Noh and Guide To Kyogen from most hotel bookstores and at some theatres give summaries of plots. The introductory essays by Japan specialist Donald Richie provide the essential background and flavour.

Kabuki (Kabuki-za). The matinee (11am) features a pot-pourri of short items. The afternoon performance at 4pm has a "new" play incorporating elements from existing dramas and is based on the story of the 47 loyal retainers adapted, directed by and starring Kabuki's greatest showman, Ennosuke, a specialist in spectacular stunts and quick-change routines. For novices, one play may be enough. Buy a third floor ticket because, with poor sightlines and no English earphone guide, the one-act ticket for the fourth floor is not good value, Kabuki-za, Ginza. (541 3131) Ends Dec 25

Bunraku (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain onstage, in full view of the audience throughout. Their presence is soon forgotten, however, as the narrator, accompanied by shamisen music, unfolds the story. The Osaka-based Bunraku Company only visit Tokyo twice a year. This performance includes Kiichihogen Sanryaku-kan, and is about a warrior whose betrayal of his master culminates in ritual suicide. Earphone commentary in English. (265 7411) Ends Dec 20

Starlight Express. Andrew Lloyd Webber's London and New York smash hit arrives in Tokyo as part of a world tour. Inspired by Thomas the Tank Engine stories, the thin plot involves a race among the world's top trains, including Japan's bullet-train. More a sporting than a musical event, the producer's dream of an arena seating 10,000 is exactly right. National Yoyogi (former Olympic) Stadium, Harajuku (359 1166). Ends Dec 11.

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FINANCIAL TIMES

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Wednesday December 2 1987

A lesson for Jaruzelski

ELECTORATES are strange instruments - even in the hands of practised players such as President Reagan and Mrs Thatcher they can produce bizarre tunes if one listens only to the numbers.

In Poland General Jaruzelski is still at the stage of five finger exercises in the art of democracy and last Sunday's referendum has left him with an awkward problem. His exercise in consulting his people on a programme of economic and political reform - a programme to whose essential direction there is no real opposition in Poland and has not been for the past six years - was presumbly intended to demonstrate to the world the reality of Polish democracy in action. Instead it has shown that if boosting the General's image internationally is the price of reform, then the Polish people are not prepared to pay.

Given the country's economic problems, headed by its $36 bn foreign debt and the need to reassure its Western creditors, and institutions such as the IMF and World Bank from which the Poles are seeking new credit facilities, there can be little doubt that the reforms proposed are both right and necessary. Few Poles appear to doubt this.

However, they have no wish actively to support a regime they dislike and mistrust, and on whose ability to carry out an effective reform programme they have strong doubts. It is a classic case of disliking the doctor more than the medicine.

The general's attempt at democracy has compounded his already tough problems. If he wanted to show the international institutions that getting his people to accept high price rises would be no easier for him than for his two predecessors, then he has shown them what they already knew.

But this in no way eases the pressure on him to carry on with the reform. He must now learn more of the practical realities of democratic politics, and that means selling the package more effectively. For it must be carried out and if he is not up to the task the way will necessarily open for someone else who can.

From an economic policy standpoint a perfectly good case can be made for proceeding with reform at a more measured pace. It is not clear that the Polish economy in its present state could easily have withstood the shock of a doubling of the inflation rate, to 50 per cent, next year; nor had the regime persuasively spelled out how it intended to ensure that the standard of living for the average Pole did not fall.

But the progressive introduction of market-related pricing is surely the right way to go, as would be the necessary reduction in state subsidies, which now account for one-third of the national budget. A reduction of party control over enterprises, promised by the reformers, must also go ahead.

The fact that the referendum backfired on General Jaruzelski should not be allowed to obscure the positive aspects of the exercise. That it should have been attempted at all is in itself remarkable. That it should have produced the "wrong" result, but apparently without frightening the authorities away from reform, is encouraging.

And if the process has taught the general something about the art of playing duets, that it is as well to consult your partner beforehand on the key in which you are to play, then that is all to the good.

The hostage deal

IT WILL be both sad and unnecessary if the release of French hostages in Lebanon leads to a worsening of Anglo-French relations on the eve of the European summit. But the French Government should not be surprised that the deal it has made causes anxiety in London.

The extent of the French concessions, and to how many parties they were made, is not yet fully clear. The most predictable was the release of Mr Wahid Gordji, the Iranian "interpreter", from his enforced sojourn in the Iranian embassy in Paris. France's insistence that Mr Gordji should be subject to French justice was untenable in practice, once Iran - however unjustifiably - claimed diplomatic immunity for him, since there were French diplomats in Iran to whom Iran could and did apply the same treatment.

Britain in similar circumstances last June agreed to deport the Iranian vice-consul in Manchester rather than charge him with shoplifting. Sooner or later France was bound to accept a solution based on reciprocity in order to obtain the release of the French consul in Tehran. To suggest that French face has been saved by persuading Mr Gordji to undergo a token interrogation, with the plane to take him home already waiting on the tarmac, is hardly convincing. On the contrary, the subservience of French judicial procedure to *raison d'etat* has been made embarrassingly obvious.

More worrying, however, is the question of what extra concessions were made to secure the release of the hostages in Lebanon. Whether they were made to Iran, or directly to the groups holding the hostages, or both, the effect is much the same. Like the Americans before them, the French have shown the world that rhetoric about not bargaining with terrorists can be disregarded, and that Western hostages are indeed a currency worth holding. That is not a lesson that any Western traveller or resident in the Middle East, or indeed Mr Terry Waite and the other hostages still in Lebanon, can feel grateful for.

Semiconductor plan

PLESSEY'S recent acquisition of Ferranti's semiconductor operations goes some way to correcting a serious weakness of Britain's micro-electronics sector: its excessive fragmentation. However, the deal is far from a complete solution to the industry's persistent problems.

In spite of some strengths in niche products, British suppliers have captured less than 2 per cent of the world microchip market. Lacking economies of scale, they face a hard struggle to survive in a capital-intensive sector subject to ferocious price competition.

How can this downward spiral be broken? The industry wants the Government to support further joint research in advanced semiconductor technologies. This would underpin a commercial push in "applications-specific" microchips (Asics) - tailor-made devices which are expected to become a huge growth market.

Proponents of such schemes make much of the assertion that microelectronics is not only vital to a wide range of other industries but is a key factor in their competitiveness. Hence, it is claimed, an investment in advanced chip technology drives forward the whole of the rest of the economy.

However, the argument is dubious. Good technology, while a necessary condition of success in world chip markets, is far from a sufficient one. Furthermore, the problems of Britain's industry have less to do with inadequate technical resources than with a failure to commercialise them successfully.

Ferranti was until recently the world's biggest supplier of Asic chips but did not invest enough to keep its leadership. Inmos has a promising innovation in its transputer but has been put up for sale by Thorn EMI, its parent company, which has been steadily reducing its involvement in electronics. GEC has ample financial resources but has so far been cautious about exploiting chip markets outside defence.

The British industry's biggest shortcoming is probably an inadequate commitment to marketing, a discipline which is likely to be critical in the Asic market. As these devices become volume commodity products, success will depend on forging intimate long-term relationships with customers by understanding their businesses in depth, and providing comprehensive service.

These requirements are not unique to the microchip industry, but are becoming common in other electronics sectors, as some UK companies have recognised. In computers, ICL's recent recovery owes much to its realisation that its customers were not interested in buying technology, but in solutions to their particular problems. Equally important, as ICL now accepts, no electronics company can hope to survive long-term without a broad international base.

By guaranteeing highly profitable orders in protected sectors at home, notably defence and telecommunications, successive governments have long deprived the country's electronics manufacturers of incentives to expand internationally and to seek out a wider range of industrial customers. The companies' failure to diversify, in turn, denied them the broad commercial bases needed to support expensive and risky semiconductor ventures.

These past shortcomings will not be put right by pouring more public money into grand research projects or tinkering with the structure of the industry. If Britain is to have a successful semiconductor industry, it will require a sustained commitment.

Any further public support should emphasise measures to help other industries use microelectronics to improve their competitiveness. No UK chip company can hope to survive exclusively on domestic sales but a more dynamic and demanding home market could act as a powerful springboard for international growth.

The EC summit which opens on Friday promises to be an acrimonious affair. Quentin Peel reports

Into battle on EC reforms: from left to right, Helmut Kohl, Jacques Chirac, Margaret Thatcher, Francois Mitterrand

An explosive cocktail of national interests

THE STAGE is set for a disastrous European Community summit in Copenhagen at the end of the week. All the objective ingredients are there.

Only two things really stand in the way of a thoroughly acrimonious debate and a prolonged period of stagnation in the life of the Community. One is the fact that everybody can see it coming. The other is the dreary consequence of failure. But the chances of success are still slim.

The EC heads of state and government - 12 prime ministers, plus President Francois Mitterrand of France - are being presented with a sweeping package of reform measures, designed to set their finances in order for the foreseeable future and finally bring the all-devouring Common Agricultural Policy under strict spending control. In the words of the European Commission, the Community is "on the brink of bankruptcy" and this deal must be done to save it.

So what chance do the summiteers have of solving issues which their Agriculture Ministers have given up in deadlock and which their Foreign Ministers have only succeeded in boiling down to rather more than a handful of crucial differences?

The package, first presented last February by Mr Jacques Delors, President of the European Commission, is ferociously complicated and totally interlinked. There is virtually no way it can be broken up and agreed upon in bits. Every member state is being asked to make concessions in one part, in the expectation of reward in another - with the possible exception of Italy, which may lose out across the board, after years of doing very nicely from EC membership.

It is all about money, which makes the fighting fierce, and about the effective transfer of sovereignty to Brussels along with the cash, which makes it fiercer. It is also about the future of the still-fragile experiment in multi-national power-sharing known as the European Community, which does not really inspire any of the nationalistically-inclined combatants to lay down their cudgels.

On balance, the package of spending cuts on agriculture, budget discipline across the board, a bit more money for social and regional spending, and more contributions all round to the EC budget, is unpalatable for everyone - although least of all for the UK, which has been arguing for most of those things for years. It is, in the words of a senior diplomat, "a plate of cold rice pudding, but everyone knows it has to be eaten some time. It won't go away."

Progress in negotiations over the past 10 months has been, on the face of it, agonisingly slow - microscopic, to quote Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, who has been in the chair for the last five. But at least the issues in dispute have been clarified.

For a start, the battle is not just about farm spending. That is a British obsession, but in reality, the debate has already been won. Everyone now accepts that farm spending must be brought under control, the argument is only about how it is done. Even the West Germans, who for the past 100 years and more have managed to preserve a gloriously inefficient farm sector on the back of a correspondingly efficient industry, admit that restructuring has to come.

Agriculture does however swallow up some 70 per cent of the Community's otherwise extremely modest budget - real farm spending is put at almost Ecu27bn this year, and everything else comes to about Ecu13bn. The CAP has also resisted virtually all previous attempts at financial control. Its reform is therefore accepted as a precondition for embarking on any other serious policies costing money.

If the debate is not really about agriculture, what is it about? Mr Delors calls it "making a success of the Single Act" - referring to the package of reforms of the Treaty of Rome agreed back in 1985. The Single European Act inserted into the treaty the ambition of removing all internal frontiers in the EC by the end of 1992, or in other words, creating the genuine Common Market which has eluded the member states for the past 30 years.

The Single Act also committed the 12 to new policies - a social policy, a regional policy to help the poorest areas compete in a barrier-free market, a policy of actively promoting joint research, an environment policy and a monetary policy. None had been spelt out before.

Mr Delors, a man who is prone to emotional outbursts in defence of his vision, was in some despair last Sunday night that his ambitions were being undermined. "They want to make it nothing but an accounting exercise," he said. "They refuse to see the philosophy behind it." He accused the 12 Foreign Ministers meeting in "conclave" of being bent on "a Europe of mediocrity" in their haggling over budget figures.

The other key aspect of the whole reform package is the attempt it makes to put national contributions to Brussels on a more solid and equitable basis. The idea is in part to get away from the "British problem" of one member state convinced it is bearing a disproportionate burden - the problem which brought the EC to a standstill from 1979 to 1984.

The introduction of a "fourth resource" (see panel) based on GNP would be tied more closely to real prosperity. Countries like West Germany, the Netherlands and Denmark would pay more. So would Italy, thanks to the fact that its VAT payments have for years been artificially low because of its large black economy. Its latest GNP figures, designed to prove Italy's thesis of "il sorpasso" (that the Italian economy has now overtaken the British economy in size), have had to take this into account. There is little sympathy for the Italian dilemma around the table.

The UK is in the opposite situation to Italy: any shift from a VAT-base to a GNP-base reduces the UK net contribution, inflated as it is by the relatively high level of consumer spending in the UK economy and low level of savings. Any gesture made to Italy in preserving the VAT base will leave a bigger UK problem to be dealt with at the end of the day.

Why cannot 12 grown-up countries approve better spending control, a fairer distribution of the cost and the financing of a laudable (and formally agreed) set of new policies?

The truth is that it is that the southern member states, including newcomers like Spain and Portugal, and the traditional "European" believers - Belgium, the Netherlands and Luxembourg - who are most persuaded by the vision of new policies to reinforce the Community. They expect to get something out of them. Northerners like the UK, West Germany and France - the three net contributors to the budget - are by no means so convinced. These last three all pay lip-service to the ambition of a genuine single market by 1992, but on key issues they are much more reticent.

West Germany is perhaps most doubtful. The remaining barriers to trade within the EC concern three key areas: services in general and financial services in particular; public procurement and the need to agree on common standards (or recognise each others') in sensitive areas like health and the environment. Most Germans are determined not to compromise their own high standards. They also fail to see the need to open up their conservative and well-protected financial services industry. As for public procurement, all member states are equal offenders in favouring national suppliers - and in Germany the main public purchasers are the protectionist Laender (state governments).

France is torn. The ambition of a frontier-free Europe by 1992 is now part of the French political landscape. Yet it is France which almost certainly has to dismantle more technical and administrative barriers than anyone else. A survey of Danish exporters last year showed that they experienced more difficulty in selling to France than to any other market except Japan.

As for the UK, there is an a la carte approach to the scrapping of frontiers. It is fine if it means the British insurance industry can sell in Germany. It is much more doubtful an ambition if it means any harmonisation of taxes, any removal of frontier controls on rabies, drugs or the like, or any threat that one day identity cards may be required to replace frontier controls. Apart from that, British industry seems to be less interested than most.

It adds up to a potentially explosive cocktail of national interests, which at the end of the day will depend more on the chemistry of the summit personalities than the real issues at stake. Given the extent of remaining disagreements - between North and South on the structural funds, between UK and West Germany on agriculture, between the UK and the rest on the budget rebate - little more could have been sorted out in advance.

The last remaining hope for a deal is that much will be agreed by default: a whole annexe of farm stabilisers is in effect being attached to only a handful of key questions for debate on the major issues of principle.

The danger is that the chemistry will not work. Germany has an uneasy coalition government held hostage by agriculture; France is facing presidential elections in May and political point-scoring may outweigh the desire for a deal; Italy has a weak coalition unlikely to take difficult decisions.

As for Mrs Thatcher, she has proved already that she won't compromise on detail and she does not appear to recognise that she has already won the game on CAP reform. Even if all else falls into place on spending control, she could still block a deal if the other 11 member states try to cut her budget rebate. The irony is that once again, just like the Brussels summit in June, it could be the UK government which blocks a package which in every other way is designed to suit its requirements.

THE REFORM PACKAGE

THESE are the five key issues on the table at Copenhagen:

● CAP REFORM: A comprehensive package of "stabilisers", or production ceilings, for each commodity, above which automatic price cuts are triggered. Arable crops - cereals, oilseeds and proteins (like peas and beans) - remain the most disputed area and the one in most chronic surplus.

● BUDGET DISCIPLINE: Setting a cash limit for all the other community policies. Annual sub-ceilings on spending are proposed, within an overall maximum growth rate which has to be agreed. Should farm spending increase at the same rate as gross national product, or more slowly? What should be done about the cost of getting rid of old surplus stocks, what base year spending should be chosen and should there be a reserve for currency fluctuations?

● STRUCTURAL FUNDS: How much should the social and regional funds, plus the agricultural fund for retraining and investment, be increased? The European Commission proposes to double them by 1992, and the southern states, plus Ireland, are committed to that. The northerners want to give much less.

● BUDGET CONTRIBUTIONS: A proposed new system for national contributions to the EC budget, with a new ceiling - the Commission proposes 1.4 per cent of GNP - and a new "fourth resource" also linked to GNP. The present three sources of revenue come from customs duties, agricultural levies and the notional 1.4 per cent value added tax levied on a common basket of goods and services. They are stagnating.

● THE UK REBATE: What should be done about the special deal fixed at Fontainebleau in 1984, giving the UK back roughly two-thirds of its large net budget contribution? The Commission proposes that in future it be paid entirely on the basis of the UK imbalance on agriculture - the main cause of the net contribution, because Britain receives relatively little CAP spending. But Mrs Thatcher is not prepared to settle for anything that gives her less than Fontainebleau.

Men and Matters

Chapman takes Listener chair

There has been a howl or two of anguish from the literary classes at the news that, in future, The Listener will be run as a joint BBC-ITV venture and be expected to break even, at least.

The appointment of the editor of Punch, Alan Coren, as editor of the new joint venture apparently confirmed the worst fears that seriousness was at an end and that the destination was down market.

If that is the plan, the broadcasting barons yesterday appointed the wrong man to be chairman of The Listener - Ian Chapman, chairman and chief executive of William Collins, the publishers.

Chapman, a Listener reader since he was a boy and a great admirer, says he won't be there for long if there are any attempts to turn it into a down market, pop magazine.

"I am confident that the quality, independence, integrity and seriousness of the journal will be maintained," says Chapman, who is also chairman of Radio Clyde, Glasgow's commercial radio station.

The independence, in particular, of The Listener is something that Chapman feels deeply about; and he ought to be more than a match for the competing interests of Britain's broadcasting bosses.

At Collins he once saw off the predatory ambitions of both Robert Maxwell and Rupert Murdoch, which is probably why Michael Checkland, the BBC director general, rang to offer him the non-executive job.

He even knows Alan Coren. Apart from publishing some Punch books, Chapman shares Coren's love of cricket.

Seventh suitor

Seven times has Martin Paterson, chief executive and part-owner of Martin Paterson Associates, the actuaries and pension and benefit consultants, been wooed during the last 12 months.

And they are only the proposals he has received for him and his business in writing. There has been a sizeable number of informal offers as well.

After all this attention I can announce that a marriage has, at last, been arranged. Paterson has done a deal with Buck Consultants, the oldest US actuarial firm, founded in 1916.

The new company will be called Buck Paterson Consultants, and Martin Paterson, aged 60, will be handcuffed firmly to it - albeit with golden handcuffs - for the next five years. He incidentally, now finds himself one of the larger shareholders in Buck.

Paterson left the chief executive's chair at Antony Gibbs Pensions 16 years ago to set up his own pensions consultancy. He has built it up into a business with a fee income of $3.25m a year, employing a staff of 90. Now he is marrying into a company with annual revenues of $82m and a staff of 1,000.

Both business are owned by their staffs. Paterson sees the liaison as a near-to-perfect marriage - if there is such a thing. He says: "The approach from Buck was not the most attractive financial offer we received (the price paid is a closely-guarded secret) but it is much the best for the future of the company we have developed."

Party post

A job which had strong claims to be the least sought-after in Canada has been filled - at least on an interim basis.

Malcolm MacLeod, a former provincial agriculture and natural resources minister, has been chosen to succeed Richard Hatfield as Conservative party leader in New Brunswick.

The position is an unenviable one since the party cannot boast a single seat in the provincial legislature having been whitewashed in an election in October by Frank McKenna's all-conquering Liberals.

MacLeod, known as "Big Mac" because of his strapping 6ft.7in. frame, describes himself as a management type. It is expected to be at least a year before the party addresses the task of picking a permanent leader.

Tunnel vision

A train set to match any schoolboy's dream was unveiled yesterday - a huge model of the British end of the Channel Tunnel.

The 40ft by 10ft layout is the biggest known model railway in Europe.

But it is not for sale and, at a construction price of £150,000, would be beyond the pockets of most Christmas shoppers anyway.

Euro-Tunnel, which is building the Channel Tunnel, commissioned the model of the Folkestone terminal to demonstrate the movement of shuttle and through passenger and freight trains, as well as loading and unloading sequences.

The trains are built to N-gauge, a scale of 1:160 which is smaller than most models, but because of the limited space at Euro-Tunnel's London offices the surrounding countryside was reduced to 1:220 scale.

The computerised layout, which is on public display at Euro-Tunnel's offices in London Wall, is capable of moving 12 trains at a time.

The model will be taken next June to a transport exhibition in Hamburg, where it will be linked with a working model of the much larger French terminal and another of London's Waterloo station, which is being built by British Rail.

The model was commissioned and completed in just eight weeks, by Techpro, of Ashford, Kent. Twenty men worked a total of 6,000 hours to build it.

Martin Hall, Euro-Tunnel's director of corporate affairs, said: "We cannot say the model is how the real thing will look when it is built, but it is an attempt to show what we are building. The model is based on the state of the art as it is now."

Safe ways

Free tea and Welsh cakes could soon be used in a novel bid to bring down the number of accidents on holiday routes.

The Independent Order of Foresters, a North American based insurance company which prides itself on public spiritedness, wants to set up free roadside cafes in Wales to encourage tired holidaymakers to take a break.

The idea has already been put into practice in the United States and Canada. Police there have given the scheme their blessing. They say the Order's cafes have made long-distance holiday routes safer.

"Five minutes in one of our cafes can save a life," says retired accountant, Graham Treharne, who is pioneering the scheme in Wales. He has yet to find local supermarkets ready to supply free nourishment in exchange for a little publicity. But the Welsh authorities willing, the free distribution should start in time for next spring's holiday season.

Some well-established roadside cafes, I understand, are none too pleased with the idea.

Air time

British Airways executives, facing a possible battle for British Caledonian with Danish-based airline, SAS, were hardly floating on Cloud Nine after turning the page of their in-house calendars yesterday to the month of December. The new page is devoted to the delights of Scandinavia.

Horse sense

From a report of a talk to a Norfolk farmers' club: "He said that what had happened proved what he had always maintained - that in the cattle business, it was foolish to count your chickens before they hatched."

Observer

ITV companies face unprecedented pressure to reform working practices. John Gapper reports

The last bastion under attack

Independent television companies' staff 1986/7

Union	Employees	Gross pay £m	Average pay £
Technicians (ACTT)	6340	149.6	23592
Studio staff (Beta)	3033	51.0	16807
Clerical (Beta)	2018	21.4	10582
Electricians (EETPU)	856	22.1	25775
Journalists (NUJ)	735	16.3	22228

*15 regional franchise holders only

Source: ITV Companies' Association

"AS AN INDUSTRY we are under siege," says Mr John Calvert, industrial relations director of Britain's independent television companies association, giving his blunt view of the pay and productivity pressures which now *confront him*.

His opposite number, Mr Jack O'Connor, the veteran national officer of the ACTT technicians' union, is less worried. To Mr O'Connor, who since 1962 has done more than anyone to shape the working practices of the ITV network, sieges, strikes and lock-outs are nothing new.

It takes more than a few sharp words from the Prime Minister and threatening noises from the Home Office to shake Mr O'Connor's belief that his members in 15 companies around Britain are earning no more than a fair wage for highly-skilled and often demanding work.

He says: "It annoys me greatly that people seem to think we are a collection of *bandits*. There may have been some huffing and puffing over the years, but we have always been willing to talk about change. Now the companies seem to think they can do exactly what they want."

Mr O'Connor's vision of the ACTT is not widely shared, least of all in Downing Street. Mrs Thatcher, in talks with ITV heads in September, labelled their companies "the last bastion of restrictive practices." She views them as a cartel of companies which has grown complacent on the profits of *monopoly* access to advertising revenue, while its staff has grown rich and arrogant on the same diet.

The Home Office has been instructed to bring about change, gradually increasing the competitive pressures on ITV companies. Independent producers, who do not suffer from traditional agreements on crewing levels, are to be given access to 25 per cent of the national network by 1992. Satellite broadcasting - a direct threat to advertising revenue - is also on the horizon.

The industrial relations stances of the ITV companies are likely to be treated as a barometer of the pressure they feel - and whether further measures are required. Such potent threats as selling off Channel Four, introducing competitive tendering for access to the network, and auctioning the ITV companies' franchises could follow.

Industrial confrontation such as that taking place at ITV's north-east region franchise holder Tyne Tees Television, and its breakfast television company, TV-am, is likely to be taken as welcome evidence that the medicine is having an effect. Other ITV companies are becoming increasingly willing to talk publicly of the reforms they require.

They have also started to wield the threat of independent producers to force through working practice changes. Thames Television is using the tactic to try to cut the cost of making a twice-weekly police serial, The Bill, by getting agreement from the ACTT and Beta studio staff on eliminating meal break and location filming payments.

But piecemeal changes of practice on selected programmes are *not* going to be enough for companies to cut staffing costs significantly. Several have now confronted their unions with papers setting out the pressures they face and urging widespread changes.

One of these was prepared by Tyne Tees Television in July before the start of its dispute with its staff electricians. The document - entitled Changes Ahead - says that when Tyne Tees' franchise comes up for renewal in 1993, it will have to demonstrate profit growth and cost-effectiveness.

It argues that a reduction in its annual staff costs - which totalled £15.1m in 1986 - is the only way of saving money without reducing programme output and concludes that the company will have to cut staff by natural wastage, increasing flexibility, and eliminating "unjustifiable working practices."

The source of many of those working practices is a collection of national agreements first drawn up in 1958 between the ITV Companies Association and its staff unions. The staff now covered are the ACTT technicians, Beta clerical and studio staff, EETPU electricians and NUJ journalists.

These agreements include the "golden hours" clause allowing payments of up to five times the basic rate for night-time work and *provisions* such as multiplying penalty payments for not observing set meal breaks

The "white book" - the key ACTT agreement - still has its admirers among the companies. Mr Alan Pankhurst, director of personnel at Central Television, says: "A lot of employers would give their right arm to be able to roster their staff 14 hours a day, *seven days a week on single-time* rates."

It is also widely argued that the worst problem facing some ITV companies is not the national agreements but the local deals on crewing levels and working practices

The national figures conceal wide variations between the regional franchise holders. The highest pay is found in London, source of most of the stories of excess - including that of the TV-am technician who allegedly claimed £92,000 for three weeks' work on the Zeebrugge ferry disaster.

Local deals are also accused of preserving working practices based on outmoded technology. Negotiations over innovations such as lightweight video cameras, which have in recent years almost completely replaced film units requiring more people to operate them, have often been protracted.

Attempts at reform nationally have often been frustrated by the inability of the companies to agree their priorities. In the past, one company has suggested trying to buy out a certain clause of a national agreement in the annual pay round only to find other companies unworried by it.

The upshot is that the Government's drive for change has put pressure on the national agreements. Tyne Tees and London Weekend Television are considering pulling out because they feel constricted by some of the provisions and want to negotiate their changes alone.

A quieter version of the same theme is being pursued by Mr Calvert, who has told the companies to "find your own salvation" through local reform packages. Some of them argue that the process has been peacefully underway for some time

But most companies accept that change must quicken if they are to survive intact. Mr Roy van Gelder, LWT personnel director, estimates that his company will have to cut its staff by 200 by 1989 unless its costs are cut enough to attract independent producers to use its facilities.

It is this sense of urgency that has already led to the Tyne Tees dispute and contributed to that at TV-am. TV-am presented its unions with a paper in September notifying them that the company was going to seek cost saving changes

One of the most worrying aspects of these disputes for unions is that two companies have demonstrated they are no longer prepared either to wait for change, or accord favourable treatment to those which make the right noises before agreements are actually signed.

Mr Chris Stoddart, Tyne Tees' director of resources, told the *Financial Times* two weeks ago that he was encouraged by the response of the ACTT to the Changes Ahead document and he believed "substantial progress" would be made over the next six months. Yesterday, the union's members were under threat of the sack if they took industrial action.

Mr Calvert believes that disputes at *ITV* companies are unlikely to escalate into national conflict, but believes that they will become more widespread as companies realise the implications of Government policy.

Some ITV managers go further and argue that the Government - known to be hostile to joint national pay and conditions bargaining - will not be satisfied *until the industrial relations* framework of ITV is broken along with the traditional power of the unions.

They believe Mrs Thatcher is unlikely to be content as long as the effective closed shop operated by the ACTT, Beta and the EETPU remains.

Mr Frank McGettigan, head of industrial relations at Channel Four, thinks the future could be uncertain for independents. He says: "I believe a crisis is coming because I cannot see any encouragement from the Government to reform to an acceptable system of collective bargaining."

At the moment, independent producers who receive commission from ITV's Channel Four have a contractual obligation to employ staff on established union terms. There is a separate agreement for film productions, but those using videotape must observe the ITV national agreements.

The fear of some is that the Government's ultimate aim is unfettered competition between unionised and non-unionised production companies. Some ITV companies may privately welcome the first stage of the siege on their working practices; none is likely to be happy if what follows is an industrial relations free-for-all.

Beyond the INF Treaty

Opportunity for a real step towards peace

By Lynn Davis

AS THE INF Treaty abolishing intermediate range nuclear forces is about to be signed, the West finds itself bedevilled by doubts about the future of Nato's strategy and the American nuclear guarantee. It is still uncertain whether the Soviets and Americans will be able to resolve their differences over President Ronald Reagan's Strategic *Defence Initiative (SDI)* and conclude an agreement on strategic offensive forces (Start).

They have agreed in principle to reduce their strategic nuclear arsenals by about 50 per cent. But so as not to repeat the INF experience, this is the moment to consider the strategic implications of a potential Start agreement - not only for Americans *but also for Europeans*.

As in the case of the INF Treaty, the Soviets have essentially agreed to the goals the Reagan Administration has been pursuing since 1982. Their highly accurate long-range missiles will be reduced by about half. Most of the reductions will be in their particularly threatening land-based intercontinental ballistic missiles (ICBMs). They have even agreed to destroy half of their heavy, more powerful SS-18 missiles.

As a result, the significant Soviet advantage in ballistic missiles and their capacity (or throw weight) will disappear. The Soviet force posture will be restructured along the lines of that of the US, with their weapons becoming more evenly distributed on land and sea-based missiles and bombers. The remaining Soviet forces will be more capable of surviving a first strike because they will be mobile and sea-based.

Each of these steps will promote strategic stability. The Americans will have achieved the objectives they set in the late 1960s, when the strategic arms limitation talks (Salt) began.

In negotiating the INF Treaty, the West focused almost entirely on reducing the Soviet threat, neglecting the effect that reciprocal limits on US nuclear forces would have on the viability of Nato's strategy of flexible response. Is it in danger of making a similar mistake over Start?

This does not seem to be the case. These negotiations involve strategic not theatre nuclear forces. Their primary task is to protect the US by assuring a credible retaliatory capability.

The reduction in the Soviet threat under the proposed agreement will make it much easier for the US to deploy survivable land-based missiles and bombers. The new mobile Midgetman missile will become more cost-effective. There will be even less need for an anti-ballistic (ABM) defence of ICBMs. The US will be able to retain its diverse triad of *land and sea-based missiles and* bombers, as well as to pursue its plans for a raft of new weapons, including the MX and Midgetman missiles, the B-1 and advanced technology bombers, and the Trident submarines with D-5 missiles.

This is not to say that there are no potential problems. While the precise sub-ceilings on ballistic *missiles are still to be negotiated*, the number of US submarines will be reduced from 36 to about 20 Poseidon and/or Tri*dent submarines in the 1990s*. While the number of US bombers will not be affected, their effectiveness will be reduced by the implicit restrictions on air-launched cruise missiles.

Most experts and politicians would argue that such a Start agreement would assure a credible and adequate deterrent strategy. But because of the smaller number of warheads, the US ability to threaten high levels of destruction will be dependent upon what the Soviets are able to achieve in anti-submarine warfare and in upgrading their bomber defences, for these defensive systems will not be regulated in the proposed treaty.

Additional problems may arise in so far as US strategic nuclear forces are still viewed as having a role in deterring attacks on America's allies. The visions during the Reykjavik summit of eliminating ballistic missiles have *disappeared. Both sides* will be able to maintain about 5,000 missile warheads, and the US will have ICBMs to threaten limited nuclear strikes to deter aggression in Europe or Asia. But the proposed agreement will, for the first time, establish Soviet-American equality in the overall number of strategic nuclear warheads. While the Salt II treaty *called for equal ceilings* on missiles and bombers, the US retained a *de facto* superiority in nuclear warheads.

The superpowers are understandably attracted to equal limits, for political as well as military reasons. But the Americans will no longer be able to argue that their superiority in warheads helps assure the credibility *of their nuclear umbrella*.

From a strictly military point of view, little will change. The current surplus of warheads is *not specifically designated for* European defence. And the proposed Start treaty will not affect the existing *US* practice of assigning 400 *of its strategic* warheads on Poseidon submarines to Nato's Supreme Commander.

But the question remains: would an agreement establishing strategic equality at levels significantly lower than today create *further doubts about the credi*bility of Nato's strategy?

On balance, the case for the proposed Start treaty seems compelling, in that it would reduce substantially the Soviet nuclear threat, promote stability on both sides and assure a credible American deterrent strategy. Equally important, from the point of view of the cohesion of the Western *alliance, is that* Nato's military strategy will not be affected in any significant way.

THE MILITARY BALANCE

	US (1987)	START agreement	USSR (1987)
Total warheads	10,800	6,000	10,500
Ballistic missile warheads	8,900	4,800-5,300*	9,800
ICBM warheads	2,260	3,000-3,600*	6,440
Heavy missile warheads	-	1,540*	3,080
Strategic nuclear delivery vehicles	1,950	1,600	2,510

*These sublimits are still being negotiated. This table is derived from the IISS, the Military Balance 1987-1988. It uses SALT II counting rules for ballistic missiles and the agreed START counting rules for weapons on heavy bombers

The author is Director of Studies at the International Institute for Strategic Studies, based in London.

Letters to the Editor

Byzantine by-ways of poll tax

From Mr John Muellbauer.

Sir, Even the most brilliant legal mind cannot defend the indefensible. The attempts of the Minister of State for Local Government to defend the poll tax (FT, November 16) leave my criticisms - and the alternative reform I put forward in the current Lloyds Bank Review - virtually untouched.

Mr Harvey Cole (November 16) has already made fun of Mr Michael Howard's first chestnut: that because rates are paid only by heads of households, local councils are insufficiently accountable to the electorate. Mr Howard apparently believes that the votes of other adults in a household are unaffected by rate demands and the perceived benefits of local authority services. Mr Cole, your editorial (November 17), and the CBI have demolished Mr Howard's claim that local accountability will be furthered by the proposed reforms: in fact, a *much* higher percentage of local spending will be centrally controlled.

Mr Howard believes that rates create no incentive to avoid "excessively lavish accommodation". This is odd coming from a member of a government which has made the primacy of financial incentives central to its whole approach to taxation.

He finds property taxes unfair. His argument rests on a lack of correspondence of rateable values or capital values with incomes. In other words, he regards income as a better measure of ability to pay. Since my alternative reform proposal is for a local income tax (albeit with imputed rent treated as part of income) it is immune from this unfairness objection.

Mr Howard equates the spending needs of local authorities with the number of adults. This ignores special problems of urban decay, unemployment, or having a disproportionate number of children requiring education or old people with high health and social service needs.

Central to Mr Howard's case is a general argument of Byzantine complexity which "proves" that any tax based on ability to pay is unfair. It follows that only a flat rate charge is fair. He thus negates a central tenet of centuries of civilized discussion in public finance.

Let me conclude by listing some of the objections to the poll tax that Mr Howard does not address.

It has a high administrative cost and threatens to create a new class of drifters trying to avoid the tax. It worsens the poverty and unemployment traps, because many low income workers will be better off not working in order to receive their poll tax rebate. The lack of any property tax gives entrepreneurs even more of an incentive to put money into private housing rather than into their businesses. If anything, the poll tax creates further disincentives for the supply of private rented accommodation. One reason is that landlords will have to bear much of the burden of collecting the tax.

Finally, if my research on the interconnections between housing markets and labour markets is on the right track, the poll tax will have undesirable consequences on labour mobility, on wage pressure and on regional economic imbalances. By damaging the performance of the whole economy, it threatens to make us all worse off than we might have been.

John Muellbauer,
Nuffield College, Oxford

Textile industry transformed

From the Director and Secretary of the British Textile Employers' Association.

Sir, I read with interest your summary (November 24) of the International Textile Manufacturers' Federation report on investment in new textile machinery. This is the kind of report that can only be ignored at one's peril, but it would be a pity if the critical picture of the UK textile industry which emerges passed without comment.

However much pre-1975 machinery remains in operation - and for substantial areas of production the replacement of machinery of this vintage would offer *no* real advantage in terms of efficiency or competitive advantage - the UK cotton and allied textiles industry of 1987 is a very different animal from that of 12 years ago. The recession of 1979-81 was traumatic for textiles, as it was for the rest of British manufacturing industry, and of the companies who survived it can truly be said that they deserved to do so. They had invested heavily during the preceding years and have continued to do so, despite all the pressures of market disruption and distortion to which they have been subject. Let's face it, no-one in today's textile industry who wishes to remain in business in the face of the intense world competition can afford not to invest and modernise.

During the period 1981-1985 (inclusive), the latest period for which total figures are available, capital expenditure in the cotton and allied textiles industry was some £108 million, a level which would do credit to any sector of British industry, let alone one which is still characterised as in decline by those who are unaware of the transformation which has taken place. The latest CBI Industrial Trends Surveys confirm that during 1987 textiles have kept pace with the rest of British industry in their investment in new plant and machinery, and I have every hope that - given reasonably stable trading conditions - this picture will be maintained.

Colin Shone,
Reedham House,
31 King Street West,
Manchester

Too long to wait at M & S

From Mrs Paul Angus.

Sir, Your article on the problems facing Marks & Spencer (November 19) tried to analyse why this retail giant is slipping from its leading place as womens' wear retailer, but failed to mention one of the most obvious.

Even in the newly expanded "flagship" store near Marble Arch, in London, there are still no facilities for trying on garments. It was altogether simpler in the days when one just took the item back to the department where it was purchased, received a returns voucher, and collected the money - or paid the difference when selecting another item from the same department.

Now this procedure often entails long waits in the returns queue. I have overheard people saying that they will never buy anything there again if they cannot try it on.

With all other high street multiples offering cubicles to try on clothes, I believe that M & S has put itself at a distinct disadvantage.

Erna Angus,
44 Bickenhall Mansions,
Baker Street, W1

Local tax could be paid per service selected by the citizen

From Mr D.P. Faram.

Sir, The current nonsensical debate over the abolition of the rating system and its replacement with an equally perverse poll tax appears to ignore the citizen's right to spend his money in the way he chooses.

Surely this is an opportunity to separate all those elements of a typical rates bill into their constituent parts and allow people to pay for those services they want individually, thus voting with their feet each time they pay for them.

Local services relating to local needs should thereby be provided efficiently. For example:

Schools would charge parents for education services directly provided to each child; roads would be paid for by road users by means of a local tax on fuel sold at local filling stations; transport would be paid for by users of that transport; fire brigades would submit bills for putting out fires (which bills would be paid by householders' insurance policies); police would submit bills for quantifiable risks such as crowd control (thus preventing excesses like the Wapping dispute and the miners' strike from continuing unnecessarily); local amenities such as swimming pools and social services (*gay switchboards?*) would be paid for by the users of those services; refuse collection would be charged for separately and competitively.

In this way local democracy would be restored at every level in the community.

While one accepts that the present rating system is iniquitous, the proposal to continue with a uniform business rate, in the absence of anything better, would seem only to exacerbate the problem.

It would seem preferable to remove the rates anomaly (a form of property tax) by imposing 15 per cent VAT on new buildings in harmony with the EC proposals; at the same time abolishing the 1 per cent stamp duty on property transfers, and perhaps Land Registry fees, and paying over a proportion of the VAT collected to local government for administration of planning departments and the like.

Enterprise zones would still attract tax-free status as at present, and local councils would be encouraged to promote new building work to raise revenue for local government.

These far-reaching changes should go some way towards realising Government objectives - the greater accountability of local councils, and the restoration of local democracy - by ensuring that local services are provided in a cost-effective manner by professionally qualified officers of de-politicised councils.

The next three years, to 1990, are likely to provoke intense and bitter debate among winners and losers under the Government's new schemes as presently proposed; without, it seems, addressing the central issue of council overspending.

I hope that the Government can be persuaded to drop its pernicious "community charge" and "business rate" before a tidal wave of public opinion threatens to swamp the ship with the band still playing.

D.P. Faram,
1 Hawkwood Close,
St Margarets Banks,
Rochester, Kent

FINANCIAL TIMES
Wednesday December 2 1987

Christopher Bobinski in Warsaw reports on the tough choices facing Poland's Government

Jaruzelski bows to warning on price rises

ONCE AGAIN Poland has shown its ability to catch observers unaware. Sunday's national referendum disappointed a regime accustomed to problems, but unfamiliar with a public display of ballot box disaffection.

The Government's failure to win a clear majority for its plans to reform the economy and to make cautious political changes marked the first time in Eastern Europe since the war that an official programme has failed to win approval in a national ballot. As such it marks a loss of face for General Wojciech Jaruzelski the Communist Party leader.

But at the same time the result widens the General's options. To the evident dismay of supporters of reform inside the establishment and elsewhere, the result provides him with an excuse should he decide to ditch the commitment to change which he first made on the morning of martial law six years ago and repeated at a central committee meeting only last week.

For the moment, however, Mr Jerzy Urban, the government spokesman, has said that the economic reforms aimed at inducing efficiency and seeking to marry market mechanisms with central planning will continue. He argued, cogently enough, that even though the programme failed to get an absolute majority, it won the support of more than two-thirds of those who actually took part in the ballot.

Nevertheless, next Saturday the Government will unveil a modified programme and the changes can be expected to include a toning down of the steep price rises planned for next year.

For it was people's fear of price rises more than anything else which explains the Government's failure to win the support of the 50 per cent of all those entitled to vote (only 67 per cent of eligible voters took part in the poll) it needed to make the result of the ballot incontrovertible. But the referendum did provide Poland's party leadership for the first time with an open warning that its prices policy threatened industrial unrest. Former Polish leaders, Mr Wladyslaw Gomulka and Mr Edward Gierek, were both toppled by strikes, one in 1970 and the other 10 years later, but, unlike the cautious Gen Jaruzelski, both were deprived of advance warning signals.

In the end, 44 per cent of the electorate did vote yes on the economic question and 46 came out in favour of "democratisation." The numbers needed to close the gap were, therefore, not all that great and it is easy to see where the deficiency lay.

A food queue in Krakow 1981 - the stark memories of price rises then played a part in Sunday's ballot result

For one thing, old age pensioners are the group which traditionally turns out en masse for elections. It was they, though, who were most afraid of an inflation rate which stood to double to about 50 per cent a year if the new prices published by the authorities were implemented. Left alone for the first time for 40 years with a ballot paper in the discreet solitude of the voting booth they crossed out yes and voted no.

Second, the referendum propositions fared worse in the countryside than in the towns, reflecting the inbuilt distrust by farmers of change, which they saw as inevitably worsening their conditions and reducing their power bases.

In addition, this was after all the first election since 1947 in which Poles were presented not only with a choice but with the feeling that officialdom would not hold it against them if they voted in secret.

Again, independent opinion polls conducted in the 1980s have shown that it is the intelligentsia and the younger qualified workers (the natural constituencies of Solidarity, the banned trade union movement) who are most in favour of economic reform. But these groups also share the official Solidarity view that the referendum failed to provide a credible alternative. They therefore decided to ignore it and comprised a good part of the 33 per cent of the voters who stayed away.

Indeed, it has been Gen Jaruzelski's policy since martial law was imposed in 1981 not only to attempt to achieve the lasting economic growth needed to service the country's $36bn debt, but also to satisfy the aspirations of ever impatient consumers without making any concessions to this group, whose hopes are symbolised by Mr Lech Walesa.

This has meant that reformers inside the establishment have been left with few external allies in what is coming to look like a losing struggle with the heavy industry lobbies and the conservative bureaucracy which is so intent on maintaining their collective dominance over the economy.

Over the past two years, however, there has been a dangerous drop in public confidence about economic prospects. This fact, well-measured in the rather sophisticated public opinion polls conducted by the authorities, has been compounded by evidence of continuing shortages of industrial inputs and ageing machinery. Together they brought about an attempt to set the economic reform, badly stalled between 1981-86, back on course again. This was bolstered by external pressure from Western governments and the International Monetary Fund, which have made progress on reforms a condition for providing badly-needed fresh credit.

Despite the referendum result, these factors remain real and, given the continuing commitment to change in Mr Gorbachev's Kremlin, the downfall of Mr Boris Yeltsin notwithstanding, it seems unlikely that reform as such in Poland will be taken off the agenda.

Now the issues facing the establishment in the post-referendum debate are whether to seek credibility for the reform by replacing discredited government and party officials and shifting policy preferences from heavy industry to consumer goods output, or to do nothing and prolong stagnation, which risks unrest at some time in the future.

On the price issue, Mr Wladyslaw Baka, the chairman of the national bank, was as early as the summer arguing that big price rises would only spur wage demands and start off an inflationary spiral. Instead the bank has argued that a determined effort should be made to cut the country's investment programme and boost the flow of goods onto the market.

It also stresses an attempt to dampen wage growth rather than letting rising prices soak up inflationary incomes. The recent World Bank report on the Polish economy also implicitly suggested that rather than go for a quick but painful cure, the economy could be given a little leeway by a greater concentration on exports in the short term.

The new unions (OPZZ) set up to replace Solidarity in 1982, have also been arguing against rising prices on grounds similar to the national bank. However, they have been suggesting a system of central wage bargaining out of line with the reform's decentralising intent.

Inside the Communist Party, which now faces what has turned into a crucial central committee meeting within the next few days, the debate is couched in more ideological terms. Some members of the party's top decision making body have been asking whether the reform meant that socialism, with its welfare safeguards, was being abandoned. So far, such doubts have been restricted to behind the scenes "consultations" and they barely surfaced at a central committee meeting last week. After the referendum result they will surely emerge with new vigour.

But there is the opposite view, represented by Professor Hieronim Kubiak, a liberal, and a politburo member ditched from the Party leadership in the mid-1980s, who warned that the population did not trust the authorities. "This lack of confidence has its rational causes and they are connected with the state of the economy and the way power is wielded," he said. He also warned the conservatives that it was not the reform which posed a threat to socialism, but its absence. Failure to reform the system, he added, presented the Solidarity opposition with opportunities.

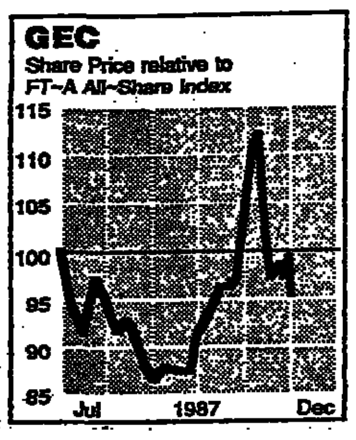
The choices facing Gen Jaruzelski seem clear. His past record, though, suggests that he will seek to compromise between the reformers and the conservatives and maintain his position as an arbiter between the two tendencies.

The results of the referendum show, however, that this approach has undermined officialdom's credibility. But the results also give the Government arguments in support of whatever policy it chooses.

THE LEX COLUMN

Mixed signals from GEC

The US Federal Reserve was apparently absent from yesterday's concerted intervention by the world's big central banks, and the dollar's modest rally in Europe did not look sufficient to burn any speculator's fingers. The conclusion must be that the intervention was designed to slow the dollar's decline rather than encourage a major rebound, and it will have been of only temporary help in stabilising the financial markets. If the West Germans do cut their interest rates tomorrow it should ease the pressure on the dollar, but even so it will add to the concerns in the equity markets that Governments are being forced into actions which they may come to regret next year.



GEC

Coming from most other companies the announcement accompanying GEC's interim results would have confirmed the creeping gloom about UK corporate earnings. But peering through the extreme caution the company is clearly doing its best to keep our spirits up. The 20 per cent rise in the interim dividend is an unusually spendthrift gesture designed to maintain the pre-crash momentum, as well as underline its defensive qualities. But that increase should also be seen in the context of an overdue re-balancing between the interim and full-year pay-out, and a dividend cover which is now little above the sector average.

The even flatter than expected earnings growth can perhaps be attributed to some tucking away for a possible recession, but that has not prevented a widespread retreat in full-year estimates once again. As usual there is an unpleasant surprise, this time in the automation & control division, which is only partly down to conservative accounting. Also, while it is true that much of the cost and little of the benefit of recent acquisitions has been included, there is further rationalisation to come. GEC is not heavily exposed in the US, but many big non-US contracts are in dollars and exports are already being hit by sterling strength.

Nonetheless the message from the order books and the High Street is not, yet, sounding a post-crash warning. Most of the recent acquisitions look encouraging and the shift from financial into industrial assets should be given a further fillip by the crash. The faster growth expected by the early 1990's, combined with that balance sheet, make the discount to the market a bit steep.

Allied Lyons

In the light of the market's current obsessions Allied Lyons is something of a curate's egg. It makes beer, cakes and ice cream, which is good. It is spending nearly £600m on buying the rest of Hiram Walker, which is a North American company, which is terrible. The company may point out that under 15 per cent of its earnings come from North America, and that its North American businesses are in any case internationally based: but with the dollar down to 40-year lows it has a tough case to argue.

The contrary view involves asking how the company would now look if it had not bought into Hiram Walker at all. As yesterday's interims again showed, the beer division is doing only modestly in an industry context, and the food division, though still fast-growing, is working from a smaller base. The company's medium-term future may well belong in the global liquor business, where competitive moves now afoot could prove more important than the effects of currencies or recession.

In the area of international branding and distribution, there is still the feeling that Allied is trailing in the wake of Grand Metropolitan and Guinness. At yesterday's 321p, Allied's shares are rated a little above Guinness and a little below Grand Met. In relative terms this seems fair enough, but it leaves open the question of whether all three deserve to stand at their current discount to the market. In fundamental terms, probably not; but in the current climate no international drinks company can compete with the cosy domestic virtues of a Bass or a Whitbread.

Trafalgar House

At first glance, it is hard to put much faith in a company which has contrived to lose £200m of shareholders' funds on a £12m acquisition. But with Scott Lithgow in mothballs, further damage from that quarter must be limited; if anything, windfall gains are possible if the company wins its claim for misrepresentation against British Shipbuilders. The QE2 and the Ritz rely heavily on the glitzy end of the US market; but overall, exposure to the dollar is relatively low. With an order book up 20 per cent and a strong contribution from the construction division, Trafalgar House should begin to put the embarrassments of the past behind it. Its ungeared balance sheet - courtesy of shareholders, whose willingness to stump up £300m in a quasi-rights issue in August came in the nick of time - leaves ample room to strengthen the best-performing divisions (construction and property) by acquisition. One or two recent such deals have given the impression of a management which deserves a bit more trust. But its prospective multiple of under 9 is at enough of a discount to the market to suggest that the sins of the past are far from forgiven.

BP

The BP saga grows more gruesome by the day. Yesterday offered the curious spectacle of market makers bidding 69p for the partly-paid - 1p below the guaranteed floor - by way of dramatising the fact that they are not even prepared to act as the Bank of England's collecting agents. Since the old shares have now slithered down to 240p the new have a straight nominal value of only 30p, leaving the Bank as the only prospective customer.

The Government now risks the ludicrous possibility of ending up with almost the whole of its original stake; the Kuwaiti purchase, after all, does little more than offset the extra shares issued as rights. At this rate, there seems little likelihood of the Bank closing the offer this side of Christmas. It would indeed be surprising if ways were not being examined of extending it beyond the January close; BP, for one, is unlikely to relish the prospect of having gone through the whole grisly business only to end up back in Government hands.

Eurotunnel site hit by pay strike

By Paul Betts in Paris and Richard Tomkins in London

THE CONSTRUCTION site at the French end of the Channel Tunnel was yesterday hit by a strike called by the pro-Communist CGT union, marring news that the French Eurotunnel issue had been fully subscribed.

Striking workers organised pickets to prevent lorries from entering the French site at Sangatte, near Calais, where work has begun on the tunnel.

The union said the workers were seeking salary increases and other benefits. Eurotunnel, the Anglo-French group building the tunnel, declined to comment on the action. The group indicated that about 850 people were working on the French site.

The industrial action marred an announcement from Eurotunnel's French advisers that the company's £770m ($1.4bn) share issue had met a comparatively warm response in among private investors in France.

Just over 200,000 private investors applied for nearly 60 per cent of the FFr3.54bn ($643.6) worth of stock on offer in Paris. Another 15 per cent was subscribed by new institutional investors and the remaining 25 per cent was taken up by existing Eurotunnel shareholders who took part in earlier, private placings of stock.

In the UK, about 112,000 private investors applied for 38 per cent of the stock on offer, institutions took another 42 per cent, and the remaining 20 per cent was left with the UK underwriters.

It seems likely that at least some of the French shares taken up by existing French shareholders were in effect being absorbed by underwriters.

Greenspan backs new body to supervise financial markets

BY LIONEL BARBER IN WASHINGTON

MR ALAN GREENSPAN, chairman of the US Federal Reserve Board, yesterday backed the idea of establishing an umbrella regulatory body to supervise US financial markets as part of his drive for domestic banking reform.

Mr Greenspan said a Financial Services Oversight Commission would bring together the various regulatory interests that cover financial services in the US. He said it could be introduced in the Proxmire-Garn bill, the major banking reform legislation which is moving through the Senate Banking Committee.

The Fed chairman's endorsement of a new supervisory body - given in testimony to the Senate banking committee - signals a compromise with Congress to achieve his prime goal: the speedy repeal of the 1933 Glass-Steagal Act which prohibits commercial banks from engaging in the securities business.

Two Democrats - Senator Tim Wirth of Colorado and Senator Bob Graham of Florida - recently put forward their own bank reform bill, which also included the concept of a Financial Services Oversight Commission and was based on proposals put forward by Mr E. Gerald Corrigan, president of the Federal Reserve Bank of New York.

Mr Greenspan said that he supported the idea, but warned that in its present form it could be too rigid.

The Commission would set rules defining the types of activities in which bank, financial and commercial holding companies might engage and would establish minimum standards of capital adequacy for financial holding companies. It would have nine voting members (all chairmen of the national financial regulatory agencies) and six advisory members.

Mr Greenspan said: "The need for greater regulatory co-ordination could not have been brought out more clearly than in the recent stock market developments, where we saw the complex interactions of securities, commodities and banking markets."

By backing the Commission idea, Mr Greenspan appears to building a bridge to Wirth-Graham, while still giving strong support to the bill put forward by Senator William Proxmire of Wisconsin, chairman of the Senate banking committee, and Senator Jake Garn of Utah, ranking Republican member.

But Mr Greenspan has also countered those critics who have argued that abolishing Glass-Steagal would lead to a turf battle between the two major regulatory authorities, the Federal Reserve and the Securities and Exchange Commission (SEC), each of which would claim the right to supervise the new deregulated financial environment.

S. Korean aircraft 'blown up'

A SOUTH KOREAN official claimed yesterday that a Korean Airlines aircraft missing since Sunday had probably been blown up by a time bomb and that a couple who left the flight in Abu Dhabi may have been responsible, **Reuter reports from Bangkok.**

The couple, who held false Japanese passports, were detained by Bahrain airport authorities as they tried to board a Royal Jordanian flight to Rome. The woman's name in her passport was Mayumi Hachiya, 27, of Okayama in Japan.

The 69-year-old man died after taking suicide capsules during interrogation in Bahrain. His 27-year-old female companion is in a serious condition in hospital.

Doctors at the island's Defence Force Hospital where she was taken would give no further details, but medical sources said there were doubts as to whether she had also taken poison. "She may have been faking it," they said.

Mr Lee Seong-Eon, South Korean embassy spokesman, said: "It seems it must have been a time bomb, but we don't have a specific clue."

He said the couple had been sitting in rows seven and eight in the Boeing 707 which was carrying 115 passengers when it disappeared over the Andaman Sea.

Thai search parties have spotted possible traces of a crash.

● **Joan Wucher King in London adds:** Both suspects were on the passenger manifest of the first leg of the Korean Airlines flight from Baghdad to Abu Dhabi on Sunday.

They were the only passengers to disembark. They then flew to Bahrain where they obtained 72 hour visitor's permits.

Gorbachev hints at Afghan pullout

MR MIKHAIL Gorbachev, the Soviet leader, is considering pulling Soviet troops out of Afghanistan earlier than planned, **Reuter reports from Moscow.**

He told Mr Bob Hawke, the Australian Prime Minister, who had three hours of talks with the Soviet leader, that he had been in contact with Mr Najibullah, the Afghan president, in the last 24 hours.

They had discussed an earlier withdrawl than the 12 months previously proposed.

"Mr Gorbachev indicated there had been a discussion and there might be the possibility of an earlier withdrawal than contemplated," Mr Hawke said.

But, he added, the Soviet leader had not elaborated and it was not clear what had prompted the apparent re-think of Afghan policy or what conditions might be attached to a Soviet troop withdrawal.

President Reagan said yesterday that he would demand a date for a pull-out of Soviet troops from Afghanistan at next week's summit.

On Monday Mr Najibullah told the national assembly in Kabul that Soviet troops would leave Afghanistan within 12 months, provided there was an end to outside interference.

This was a four month reduction on previous Afghan proposals at indirect UN-sponsored talks with Pakistan in Geneva.

In his American television interview Mr Gorbachev said the Afghan conflict could be settled by political means very quickly if Washington sincerely wanted a resolution.

● Mr Najibullah said there had been "a limited number of people killed and wounded" during machinegun clashes which raged in Kabul as he was being elected president.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	12	54	Malta	S	17	63	Rhodes	F	17	63
Algiers	F	26	79	Edinburgh	C	1	34	Manchester	C	7	45	Rio de J'o	S	33	91
Amsterdam	C	4	39	Faro	D	12	54	Manila	R	32	90	Rome	S	12	54
Athens	S	18	64	Florence	S	13	55	Melbourne	C	14	57	Salzburg	Cr	3	37
Bahrain	S	26	79	Frankfurt	S	4	39	Mexico City	C	24	75	San Francisco	R	13	55
Bangkok	S	27	81	Funchal	S	20	68	Miami	R	18	64	Seoul	S	-6	21
Barcelona	D	7	45	Geneva	C	4	39	Milan	R	7	45	Singapore	-	-	-
Beirut	S	21	70	Gibraltar	C	13	55	Montreal	C	1	34	Stockholm	S	0	32
Belfast	S	6	43	Glasgow	S	-1	30	Moscow	Fg	-1	30	Strasbourg	C	3	37
Belgrade	C	12	54	Guernsey	F	8	46	Munich	Cl	2	36	Sydney	C	26	79
Berlin	C	4	39	Helsinki	C	1	34	Nairobi	F	26	79	Taipei	R	12	54
Biarritz	C	3	37	H. Kong	F	16	61	Naples	F	12	54	Tangier	C	17	63
Bombay	S	32	90	Innsbruck	C	2	36	Nassau	C	25	77	Tel Aviv	S	25	77
Bordeaux	C	3	37	Inverness	C	2	36	New Delhi	S	26	79	Tenerife	F	23	73
Brussels	C	5	41	Islamabad	-	-	-	New York	F	6	43	Tokyo	C	6	43
Budapest	F	9	48	Istanbul	S	14	57	Nice	S	13	55	Toronto	C	5	41
B. Aires	S	34	93	Jakarta	R	30	86	Nicosia	S	21	70	Tunis	S	16	61
Cairo	S	23	73	Jersey	C	7	45	Oporto	S	12	54	Valencia	S	13	55
Cape Town	S	23	73	Jo'burg	F	24	75	Oslo	S	1	34	Venice	F	10	50
Caracas	C	29	84	Lima	-	-	-	Paris	C	1	34	Vienna	C	4	39
Casablanca	F	23	73	Lisbon	C	9	48	Peking	S	-2	28	Warsaw	C	4	39
Chicago	C	0	32	London	C	7	45	Prague	C	2	36	Washington	F	3	37
Cologne	S	5	41	Los Angeles	F	9	48	Reykjavik	C	8	46	Zurich	Dr	3	37
Copenhagen	S	5	41	Luxembourg	C	1	34	Readings at mid-day yesterday							
Corfu	F	12	54	Madrid	S	7	45								
Dallas	F	3	37	Majorca	S	14	57	C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dublin	C	8	46	Malaga	C	14	57	S-Sun Sl-Sleet Sn-Snow T-Thunder							

Flying Peanut glides out of politics

Continued from Page 1

ago at the age of 75. At that point, he should have departed the scene and let historians decide how to balance the virtues of the state's rapid development against the flaws of his personalised autocratic rule.

Instead, the success went to his head. He launched a disastrous assault on the bastions of power in Canberra, in the process fighting both the federal leader of his National party and its Liberal coalition partners as well as the hated Labor Government of Mr Bob Hawke.

It was Mr Hawke who outmanoeuvred him. When he called an early general election, Sir Joh was in California's Disneyland.

His ambitions were dashed, and a hopelessly split opposition offering unconvincing policies had little chance.

That was not all. A television expose of officially tolerated prostitution, gambling and corruption in supposedly puritan Queensland led to the establishment of an inquiry whose probings have pushed senior police officers aside and still threaten to touch the Cabinet itself.

Then there was Sir Joh's last, hopeless battle - astonishing in 1987 - to prevent the installation of condom-vending machines and sex education in schools.

By August it was clear he had lost touch with his party and with most public opinion. His position became so impossible, he was obliged to announce his intention to retire next August.

His bid to sack five ministers last week stopped all that.

Another era now commences under Mr Mike Ahern, the 45-year-old former Health Minister, who was sworn in yesterday.

He promises more accountable government and higher standards of administration.

FINANCIAL TIMES
Wednesday December 2 1987

Debt losses hit Royal Bank of Canada

By David Owen in Toronto

ROYAL BANK of Canada, the largest Canadian chartered bank whose London merchant bank, Orion Royal, recently pulled out of the Eurobond market, yesterday reported a C$258.7m (US$199m) overall net loss for the year to October 31. The result took account of a C$800m charge related to a sharp rise in Third World loan loss provisions.

Excluding this provision, which was in line with guidelines for Canadian banks laid down in the summer by the superintendant of financial institutions, net income rose 11 per cent to C$541.3m or C$4.03 a share, against C$488.9m or C$4.05 a share in 1986.

In the latest quarter, the bank earned C$141m or C$1.03 a share, against C$111.4m or 89 cents a share a year earlier.

The figures mask a sharp deterioration in the performance of the bank's international operations, which was blamed on Brazil's moratorium on interest payments, and lower investment banking revenues. Before the loss provision international earnings slumped by 48 per cent from 1986 levels to C$67m.

By contrast, earnings from domestic operations rose by 31 per cent from a year ago to C$474m, on the back of strong performances in the retail banking and treasury operations.

Total end-October assets of the bank were up 3 per cent from 1986 at C$102.2bn. The strongest areas of asset growth continued to be consumer lending.

Mr Allan Taylor, chairman and chief executive, said the bank continued to perform well in its main business segments.

Plessey in talks on GEC semiconductor business

BY TERRY DODSWORTH IN LONDON

PLESSEY, the UK electronics group, is negotiating for the semiconductor activities of Britain's General Electric Company only a week after reaching agreement on the takeover of the Ferranti chip manufacturing business.

The two companies have begun negotiations just a few weeks after agreeing on a joint venture in the telecommunications field. Talks are now believed to have reached an advanced stage, although GEC says it has also had discussions with other companies.

A deal between the two groups, which could take the form of a takeover or a joint venture, would secure Plessey's position as the leading UK chip producer. The only other significant semiconductor manufacturer in Britain is Inmos, the 10-year-old company owned by Thorn EMI which had sales last year of roughly $44m ($80m).

Plessey, which recenty claimed it was not interested in buying Inmos, would generate sales of approximately £130m a year from the combination of its own semiconductor activities and Ferranti's.

Although GEC does not release detailed divisional figures, it is estimated that its semiconductor division would add a further £25m to £30m turnover to the joint Plessey/Ferranti business.

Plessey has, for some years, made no secret of its ambition to become the dominant force in the UK semiconductor industry, which has long been a pet area of interest for Sir John Clark, the group's controversial chairman.

A takeover would also coincide with recent support in the industry for consolidation in UK manufacturing, where chip production is much more fragmented than in most European countries and exceptionally small by the standards of Japan and the US.

The group has expanded rapidly in the last few years by concentrating on the market for semi-custom chips that mix a basic standard design with some specialised circuits to give cusotmers unique products.

Ferranti also manufactures mainly for the semi-custom market, although some of its technology is somewhat different from Plessey's.

GEC's chip business is even more specialised, aimed mainly at military markets. The company has established a niche in the world market for especially hard and rugged chips made with a silicon-on-sapphire technique that is particularly useful for satellites exposed to exceptional heat.

NBC considers buying Turner cable TV stake

BY ANATOLE KALETSKY IN NEW YORK

NBC, the leading US television network now owned by General Electric, is talking to Turner Broadcasting System (TBS), the highly indebted cable television production business built up by *Mr Ted Turner, with a view to* taking a major equity stake.

The talks, formally begun on Monday after weeks of speculation about Turner's future in the wake of the world market crash, have yet to reach any substantial conclusions.

In addition to Turner and NBC, the talks have involved Tele-Communications and Time Inc, which lead a consortium of cable operators who took a 37 per cent stake in TBS when the company confronted its last financial crisis earlier this year.

Industry analysts have been speculating that NBC might buy a 20 to 25 per cent share of TBS for about $400m.

The stake in Turner would have two attractions for NBC. It would provide a route into the rapidly growing cable TV business - widely seen as posing a long-term threat to the market dominance of the broadcast television networks.

It would also give NBC access to the resources of Turner's highly-regarded Cable News Network at a time when NBC's own news-gathering operations are being scaled back in a cost-cutting campaign begun by General Electric.

TBS will soon require a large cash infusion because of the onerous terms of the $1.4bn in junk bond debt Mr Turner took on to finance a risky expansion strategy, culminating in the acquisition of MGM/UA Entertainment early in 1986.

Mr Turner, one of then US's earliest and most ambitious exponents of junk bond financing, expanded TBS from virtually nothing to a $600m company, generating accumulated net losses of more than $200m.

He must repay or restructure at least 80 per cent of this junk debt *by next June to avoid cove*nants which forbid the company paying dividends.

The deadline is significant because Mr Turner promised a payout to preferred stockholders in exchange for the cash injection earlier this year from cable operators which, in turn, was needed to meet the last deadline.

Mr Turner had hoped to raise enough cash to meet his junk bond and preferred stock covenants by selling assets, the value of which has reduced by the market crash.

But if his company fails to pay a preferred dividend by next June Mr Turner will lose control to the cable consortium.

Singer sets deadline for rescue offers

By Our New York Staff

SINGER, the US aerospace and electronics company which has been battling against a $1.1bn takeover bid from Mr Paul Bilzerian, the Florida-based corporate raider, yesterday set a deadline of December 21 for other possible bidders to come forward with alternative proposals.

Singer also seemed to indicate the possibility of an amicable deal with Mr Bilzerian, stating that Bilzerian Partners had decided to extend its $50 a share tender offer until December 21 and that both sides had agreed to suspend all pending litigation until then.

The Singer announcement followed a decision by the company's board two weeks ago to explore various restructuring and divestiture possibilities that would "maximise shareholder values" as alternatives to the Bilzerian offer.

Singer is considered by analysts to be potentially a good fit for numerous defence and electronics businesses, including such cash-rich motor manufacturers as Ford and Chrysler.

In contrast, the company is considered unlikely to identify internal restructuring possibilities that would enable it to maintain its independence, while offering stockholders immediate value of $50 a share or more.

***Mr Bilzerian's* bid is also viewed with some scepticism by market operators, who have pointed to the lack of a clear-cut financing commitment from his investment bankers, Shearson Lehman Brothers, and also to a long list of unsuccessful, albeit profitable, bids and corporate raids in the past.**

At present, Mr Bilzerian owns just under 10 per cent of Singer.

Dayton Hudson to reduce store chains investment

BY JAMES BUCHAN IN NEW YORK

DAYTON HUDSON, the large US department store group which was saved from a $6.6bn takeover by last month's stock-market crash, is cutting back sharply on investment in its store chains in order to improve its short-term earnings and secure stockholders' loyalty

The announcement, which helped push up Dayton Hudson's stock price in early trading yesterday, is a marked change in strategy for the Minneapolis-based group. In the past two years it has outspent other US retailers, with a $2bn programme of store openings, including a big push into California for Target, its strongest chain.

Mr Kenneth Macke, chairman, said yesterday in New York that the threat of takeover last summer by the Haft family of Washington DC and the uncertainty over the stock-market crash made it "prudent to reduce capital investment in 1988."

"We were getting a lot of calls from shareholders demanding greater earnings."

But he joined other retailers in saying that Christmas would not be the shopping disaster forecast *just after the stock-market col*lapse. Christmas would be "less than what retailers were expecting in July but more than what they were fearing in the second half of November."

The group said early returns showed that last Sunday was the best shopping day so far this winter. However, Dayton Hudson said it had been "very conservative" in acquiring inventory for the Christmas season.

In 1988, Dayton Hudson is to spend only $600m on new stores, distribution centres and general refurbishment. This is much lower than last year's $800m investment and the $1.2bn in *capital* spending in 1985, when Dayton Hudson was pushing its Target discount store chain in California.

Last year, 50 Target stores opened on the West Coast. Start-up costs strained earnings by $38m in the nine months to the end-October and made shareholders restless. In those three quarters, Dayton Hudson reported earnings of $94.7m, or 97 cents a share, on revenues of $7bn.

Although the Hafts dropped *their $68-a-share offer for the* company after the stock-market crash and sold stock at a heavy loss, analysts believe Dayton Hudson is still concerned about hostile approaches.

Since the market crash, Dayton Hudson has bought in 6 per cent of its stock and holds commitments for a further 2.6 per cent, Mr Macke said.

Autolatina sees higher losses of up to $300m

By Ann Charters in Sao Paulo

AUTOLATINA, the Brazil-based holding company which brings together Ford and Volkswagen in Brazil and Argentina, has forecast that losses this year could reach US$300m, mainly because of government price controls. Losses totalled $78m in 1986.

Since last month the company has been locked in a legal battle with the Brazilian Government over what it sees as the government's failure to live up to a protocol agreement signed in April. Under the terms of the deal the motor industry agreed to make investments and continue high export levels in return for a predictable formula for raising prices based on costs.

Although Autolatina has a preliminary ruling from the country's Federal Appeals Court to raise prices according to the agreement, final settlement of the case is pending.

Onset starts bid for US computer group

BY OUR FINANCIAL STAFF

ONSET, the US venture capital group, has started its previously announced $8.75 a share tender offer for all shares of Decision Industries, the computer workstation and peripheripal equipment manufacturer.

Onset said the offer - which values Decision Industries at $82.25m - and withdrawal rights expire on December 29, unless extended. The Decision Industries board has approved the tender and the merger that is to *follow. The offer is conditional* on Onset receiving at least a majority interest in Decision on a fully-diluted basis and on the receipt of $50m in senior debt financing from banks or other financial institutions.

A week ago, Decision agreed to be acquired by Onset, after rejecting a $7 a share tender offer from Econocom International NV. Econocom then raised its offer on Friday to $8.75 a share to match the Onset bid. The Econocom offer is presently scheduled to expire on December 10.

*Onset says it has received com*mitments from J.H. Whitney, and Welsh, Carson, Anderson and Stowe and affiliates for $30m in equity and subordinated debt financing. Those two companies formed Onset.

Decision Industries says its board has rejected the Econocom offer.

In reaching its decision, the company said, directors relied on the fact that the merger agreement with Onset was fully negotiated and provides for a subsequent merger in which remaining holders will receive the same price as paid in the tender offer.

Schauman purchase boosts Kymmene

By Olli Virtanen in Helsinki

KYMMENE, Finland's leading forest products company which has a papermaking plant under construction in Scotland, is to acquire Schauman, the country's fifth largest forest industry group.

The takeover, an agreed share exchange offer worth about FM550m ($136m), will create a group with 1987 sales of about FM9.5bn and profits of FM850m, before appropriations and tax.

The deal will strengthen Kymmene's position as the third biggest paper and pulp group in northern Europe.

Schauman, in which Kymmene already has a 20 per cent shareholding, is Finland's leading plywood and panel producer and one of the leading pulp makers. Its turnover in 1986 amounted to FM2.55bn.

There is little overlap between the two companies since Kymmene's product range consists mainly of high-quality papers. Current expansion plans take in a 170,000-tonne plant to produce lightweight coated paper at Irvine in Scotland.

The Scottish plant, due to be completed in the spring of 1989, represents an investment by Kymmene of about £215m ($391m). It will employ some 400 workers when in full production.

As a result of the takeover, Kymmene's paper production capacity will rise to 1.9m tonnes, pulp capacity to 1.2m tonnes and the total plywood and board production capacity to 750,000 tonnes.

Kymmene has held a 20 per cent share of the equity and 32 per cent of the votes in Schauman since December 1985.

A further 29 per cent of Schauman's equity is controlled by Union Bank of Finland and friendly shareholdersin the bank's influence, including Elake-Varma and Teollisuusvakuutus, insurance companies.

If all Schauman's shareholders accept the offer, it will raise Kymmene's share capital from FM1.24bn to FM1.35bn.

According to Mr Casimir Ehrnrooth, Kymmene chairman, close links between the two companies can be better utilised through integration.

The merger, he said, would also increase efficiency.

Focobank sold for SFr150m

By Our Financial Staff

FOREIGN COMMERCE Bank (Focobank), a small Swiss bank with assets of SFr315m ($235m) and a staff of 120, has been acquired by NZI of New Zealand for SFr150m.

Focobank specialises in global securities trading, foreign exchange, metals and portfolio management.

NZI provides a range of financial and insurance services. The purchase represents its first acquisition in continental Europe.

The vendor is a family trust which acquired Focobank in 1985 for SFr133m

Sara Webb on controversy over a Scandinavian watchdog's proposal

Swedish insurers face tough rules

SWEDEN'S insurance companies may face tighter ownership regulations and tougher competition in future if recommendations submitted by the country's *Insurance Committee* last week are adopted by the Government.

However the proposals from the committee, an adisory panel set up by the Government, have already been sharply criticised by Sweden's leading insurance companies.

Skandia, the largest insurance company, issued a terse statement in which it pointed out that, at a time when countries within the EC were moving toward the development of financial supermarkets and freer financial services, in Sweden the movement was moving in the *opposite* direction - toward more regulation.

The committee has proposed restrictions on the ownership of insurance companies, recommended a certain degree of freedom for the companies' investments, and the possibility of introducing tougher competition for insurance business.

There are now no regulations covering the ownership of Swedish insurance companies - whether by Swedish *or* foreign investors.

This contrasts with ownership of *other* companies in Sweden. For example, foreigners cannot invest in bank shares at all and must seek permission to invest above a certain limit for other shares.

The Insurance Committee believes it is better if the ownership of an insurance company is spread as widely as possible. Accordingly, it has proposed that ownership be restricted to 15 per cent of votes and 20 per cent of capital.

Mr *Bo Lundgren*, a committee member, said this would bring insurance companies more in line with other Swedish companies.

But there are two serious worries.

> 'The proposal is bad for the insurance companies because they cannot build up strong groups of banks and insurers'

Firstly, insurance companies can invest *fairly* freely in shares and property. The committee does not like the idea that foreigners could build up a strong position in an insurance company and so indirectly invest in such restricted areas.

The second cause for concern is that unless some form of restriction *on ownership is* introduced, the insurance world might have a taste of what happened in the banking world.

Last year, bankers and Finance Ministry officials were taken aback by the *plans* of a group of young financiers to set up a banking and financial services group *called* Gota with banks, brokerage and leasing companies under the control of a single holding company.

The plan met with strong opposition from the Finance Ministry, where it was felt that a bank should be a bank, though eventually the Gota group won its way.

Many of the insurance companies, including Trygg-Hansa, Folksam, and Wasa (respectively the second, third and fourth largest insurers), are mutual companies, owned by their policy-holders, which do not have to worry about how big a stake some foreign investor may take.

Even so, they do not support the committee's proposal.

Mr Per Welin, finance director at Trygg-Hansa, said: "The proposal is bad for the insurance companies because it means they cannot build up strong groups of banks and insurance companies under one roof, which has been the trend abroad."

At *present*, insurance companies are not controlled by legislation concerning how they invest policy-holders' money. The Insurance Committee says in its report that it is *important* for the insurance companies to enjoy flexibility in investment.

However, with Sweden's numerous *options* scandals - one of them involving the insurance company Folksam - still fresh in their minds, the committee members believe that insurance companies should not be allowed to speculate with policy-holders' money and that options should only be used for hedging portfolios.

The committee feels that insurance companies should be able to invest more in quoted companies, *raising the present* limit of a 5 per cent voting stake to 8 per cent.

This is not much of a rise, and the insurance companies had hoped for more generous treatment.

Mr Welin said the companies were already forced *to* spread investments over a large number of companies and that Trygg-Hansa placed SKr15bn ($2.54bn) out of its SKr52m income in shares (which were worth SKr20bn before the *stock* market crash).

"We could follow companies more effectively if we didn't have to split the money between so many of them," he added.

A more welcome suggestion is the committee's proposal that it should be easier to invest in forests. Insurance companies welcome this because of the dividend *they* can *take from* cutting trees and the opportunity it affords to spread risk.

The Swedish Business Act only *allows insurance companies* to operate insurance business.

However, the committee would like *to* see, *for example*, Lloyd's *of London* given a concession to do business in Sweden so that Swedish brokers could place business there, in the hope that this would introduce an element of competition in the home market.

Aga ahead at nine months

BY SARA WEBB IN STOCKHOLM

AGA, THE Swedish industrial gas company, reported a 20 per cent increase in profits (after financial items) to SKr758m ($127.6m) in the first nine months, as both the gas and energy operations performed strongly.

The group *is* holding fast to its earlier forecast of a 15 to 20 per cent *rise* in *full-year profits* (after financial items) on last year's figure of SKr847m.

Group sales rose by 12 per cent to SKr7.658bn, against SKr6.852bn in the comparable period last year. Sales have been lifted by acquisitions including those of Rommenhoeller's carbon dioxide operations and Duffour et Igon, the French industrial gas company.

Aga said its gas operations, which account for 50 per cent of group turnover, developed favourably.

Heavy and continuous rainfall during the summer in Sweden meant that Aga's hydropower operations showed a strong increase in profits. This division accounts for about 11 per cent of group turnover.

However, the bad weather had a negative effect on Frigoscandia, Aga's commercial freezing division, because it meant poor vegetable harvests in Sweden and England, which are the division's two leading suppliers.

Break-downs, a weak *market* and the falling dollar led to lower profits for Aga's tool-steel operations. About a third of Aga's tool-steel sales are to the US.

German steel group set to break even

By Our Financial Staff

KLOECKNER-WERKE, the West German steel group, expects to have broken even in net-income terms last year - for the third year running - in spite of "overall bad" conditions in the steel market.

The company, which is trying to diversify from its core business, said sales dropped 7 per cent to a preliminary DM5.97bn ($3.66bn) in the year ended September, from DM6.42bn a year earlier.

The group said the better-than-expected fiscal 1987 result was attributable to good business in non-steel operating areas like plastics and machinery. Kloeckner said it had compensated for a drop in steel earnings in the fiscal first half by lowering costs.

Domestic group sales declined 8.1 per cent to DM3bn from DM3.27bn and foreign sales fell 5.8 per cent to DM2.97bn from DM3.16bn.

Group order inflow during the year was up nearly 7 per cent in volume terms from a year earlier.

Kloeckner said the decline in group sales resulted almost solely from the depressed steel business.

In spite of a 20 per cent decline in the dollar, the group's export-oriented specialty-machinery division posted only a 3.3 per cent drop in sales, to DM2.28bn from DM2.36bn.

The company added that production and volume sales of plastics pointed upwards. Sales increased 5.4 per cent to DM431m from DM409m.

The continuing fall of the dollar in the first month of fiscal 1988 had been countered by increased production outside Germany. Kloeckner noted a tripling of capacity at Kloeckner Pentaplast of America, its US plastics unit.

Raw steel production rose 2.6 per cent last year, while rolled steel production increased by 2.3 per cent. At September 30, group order books were 17 per cent higher in volume terms.

Coffee trader to buy Rothfos

By Our Financial Staff

HANNS R. NEUMANN, the West German coffee trader, is to buy a majority stake in Bernard Rothfos, Europe's biggest coffee importer.

Michael R. Neumann, which owns Hanns R. Neumann, has agreed in principle to the transaction in which Neumann would buy more than 50 per cent of the family-owned Rothfos shares. Rothfos said the purchase would also involve the international companies in the Rothfos group.

Neumann's entry into Rothfos would supply the basis for business continuity and development, the company said. Rothfos' basic capital at the start of 1988 would be DM60m ($36.8m).

Ford France plans FFr1bn investment

FORD MOTOR France will invest FFr1bn ($179m) over the next five years in its Bordeaux-Blanquefort *gearbox* and continuous drive transmission plants, **Our Financial Staff writes.**

The two plants, in the south west of France, have an annual output capacity of 1m units.

The continuous drive transmissions will be used mainly in *Ford's small*, front-wheel drive models but units will also be supplied to Fiat from next July.

Top Italian companies to seek Tokyo listings

BY JOHN WYLES IN ROME

FIVE OR SIX leading Italian companies controlled by the Iri state holding group are to seek quotations on the Tokyo Stock Exchange.

The plan was revealed during a visit to Tokyo over the last few days by Mr Romano Prodi, Iri chairman. He believes the initiative could increase Japanese interest in business in Italy.

Possible candidates for a Tokyo listing are Alitalia, the state airline, Aeritalia, the aerospace manufacturer, Autostrade, the motorway owner and operator, and Stet and Sip, the telecommunications and telephone companies.

During his round of meetings in the Japanese capital, Mr Prodi stressed the opportunities Italy offered Japanese investors wishing to take advantage of the removal in 1992 of all trade and other commercial barriers in the European Community.

Mr Prodi told Japanese businessmen that they had focused too much on the US at the expense of European opportunities. He also extolled the virtues of the Italian south as a base for investment which offered more potential than Ireland.

Danish drugs group lifts profits

BY HILARY BARNES IN COPENHAGEN

NORDISKE GENTOFTE, the insulin producer, reported an increase in first-half pre-tax profits from DKr21.8m ($3.46m) to DKr51.9m on sales up 25 per cent, to DKr478m.

The increase in sales and earnings partly reflected success in achieving a better balance between first and second-half sales, the interim report said. In previous years sales have been heavily concentrated in the second half.

The company forecast a satisfactory result for the full year in spite of increasing competition.

● Northern Feather, which manufactures and markets bedding, increased first-half operating profits from DKr136m to DKr178m. Sales increased by 7 per cent to DKr659m.

Pre-tax earnings for the full year are expected to be in line with last year's DKr52m.

Carla Rapoport on the surprise purchase by a Japanese insurer of a stake in PaineWebber

Yasuda Mutual invests in US expertise

THE JAPANESE life assurance industry, among the most conservative and tradition-bound of the country's financial heavyweights, is fast shedding its dowdy image.

This week Yasuda Mutual Life, a name virtually unknown outside Japan, stumped up $300m for 18 per cent of PaineWebber, the Wall Street securities firm. The move was surprising as Japanese financial institutions are currently cutting well back on purchases of US securities as the dollar slides to record lows against the yen.

But Japanese companies traditionally take the long-term view on big investments. In the case of the life assurance industry, Yasuda's move underlines a new sense of boldness and a growing feeling of becoming truly *kokusai*, Japanese for international.

Earlier this year Nippon Life, Japan's largest life group, bought a stake in Shearson Lehman, the US investment bank. But Nippon Life, as the industry's leader, was expected to take a pioneering role in forging links with Wall Street. With the dollar's continued collapse against the yen and the crash in world equity prices since then, Japanese institutions have been positively uninterested in anything sold in dollars, from government bonds to equities.

Enter Yasuda Mutual, an unlisted company with a fifth of the assets of Nippon Life. Yasuda decided that Japan's heavy exchange rate losses on its dollar investments had burned a lot of fingers, but the burns weren't permanent. Japan has much to learn from America on investment management, it reasoned. Further, it decided that the current Japanese disenchantment with US stocks and bonds cannot last forever.

As a result, Yasuda decided to devote 20 per cent of its annual investment in foreign equities to the PaineWebber deal. (Overseas investment by Japan's institutions is still limited by the Japanese Government.) Mr Kenichi Sekiguchi, managing director of international investment for Yasuda, yesterday underlined that the deal was very attractive from an investment point of view as it guarantees a 7 per cent annual yield.

YASUDA MUTUAL LIFE Year to March 1987	Ybn
Life assurance sales	6,067.7
Premium income	883.9
Interest/dividend income	204.5
Benefits/annuities paid	276.5
Dividends paid	130.5
Unappropriated surplus	139.8
Life assurance in force *	72,197.1
Total assets *	3,054.6

* At year-end

INDUSTRY TOP 10 Total assets, March 87	Ybn
Nippon	15,144.5
Daiichi	10,356.7
Sumitomo	8,591.7
Meiji	5,555.3
Asahi	4,899.6
Mitsui	3,645.4
Yasuda	3,054.6
Taiyo	2,714.6
Chiyoda	2,031.1
Toho	1,992.4

Source: Life Insurance Association of Japan

Mr Norikazu Okamoto, president of Yasuda, stressed a different angle. He said PaineWebber is well known for its skills in fund management, securities research, and risk management. These are areas in which Yasuda must improve, he said.

The force behind the industry's new boldness is its incredible growth over the last few years. Yasuda itself has doubled its asset base since 1983, from Y1,715bn to Y3,434bn ($26bn) this October. "To respond to this sharp increase, we must quickly enhance our fund management ability," said Mr Okamoto.

Indeed, the Japanese have been been fairly single-minded in their overseas investments over the last few years, choosing to put almost all of their money in US Treasury bills. They would like to diversify more into equities, property and other vehicles, but they have simply lacked the knowhow. Their knowledge of European markets is even smaller than that of the US.

Yasuda's move, then, is not expected to be the last of its kind. The Japanese insurance market is the largest in the world, with the amount of insurance per capita now almost double that of the US. This rate is so high because the Japanese use life assurance as a means to augment their savings, not necessarily to provide funds for their families after their death.

The insurance companies themselves have been quick to provide innovative products, pulling in every sector of the market from housewives to long-term convalescents.

Further, with the fast deregulation of Japan's financial markets in recent years, the insurance companies have been lobbying for the ability to move into the securities business themselves. As a result, they need the expertise of this business to reinforce their arguments with the Ministry of Finance.

Mr Okamoto yesterday predicted that Yasuda's assets would increase by 16 to 17 per cent annually over the next few years on its current business alone.

Yasuda - a member of the Fuyo industrial group which includes Fuji Bank, Canon and about 50 other companies - has already been one of the most aggressive life companies in terms of purchasing overseas equities in recent years. But unlike its fellow Fuyo group member, Yasuda Fire and Marine, it has not been interested in buying Van Gogh paintings for its museum. Instead Yasuda Mutual, along with a growing number of Japanese financial institutions, is buying expertise in a market it wants to know a lot better.

Upturn for electronics groups

BY OUR TOKYO AND FINANCIAL STAFF

THREE OF Japan's leading consumer electronics manufacturers have recorded a revival in group net profits in their latest accounting periods, a trend attributed by each to cost-cutting as well as good demand for their products.

Pioneer Electronic more than doubled consolidated after-tax earnings in its year to September to Y11.34bn ($85.7m) compared with Y5.37bn, on sales which rose 5.3 per cent to Y365.6bn. The annual dividend was raised 50 per cent to Y18 per share.

The company said "major increases" were seen in the sales in Japan of its compact stereo systems equipped with compact disc (CD) players. Also, sales in North America of audio video receivers and multi-disc CD players were strong.

For the parent company alone, pre-tax profits were up 54.6 per cent to Y13.5bn on sales of Y266.2bn, down 0.6 per cent. The directors are forecasting a modest increase in pre-tax profit in 1987-88 to Y14bn.

Toshiba announced consolidated net earnings in its first half to September up 47 per cent to Y17.61bn from Y12.01bn. Sales by the parent and its 37 subsidiaries climbed 10 per cent to Y1,710bn.

The company said the performance stemmed from strong domestic demand and its success in working out measures to cut costs in order to cope with the impact of the yen's sustained strength. It added, however: "We have a feeling that we still have a long way to go."

Overseas business was affected by trade frictions as well as the yen. Toshiba was hit during the period by the impact of a revelation that its Toshiba Machine subsidiary exported sophisticated machine tools to the Soviet Union in violation of a Western-bloc agreement. As a result, Toshiba Machine was banned from exporting to Communist countries for a year.

Sales of the offshoot in the first half dropped 18 per cent to Y44.7bn, producing a net loss of Y74m.

Elsewhere, sales of information and communications systems and electronic devices rose 14 per cent to Y701bn, boosted by the start of television tube production in a joint venture with Westinghouse. The heavy machinery division lifted sales 16 per cent to Y430.1bn amid demand for nuclear power facilities.

The Toshiba group expects full-year sales to increase about 5 per cent to Y3,480bn, with net profits up 11 per cent to Y38bn, but it warned that the results might be influenced by US trade moves.

Matsushita Electric Industrial, the maker of National, Panasonic, Technics and other brands, reported a 5 per cent gain in consolidated interim net profits to Y76.4bn on sales up 3 per cent to Y2,346bn. The period, to the end of September, comes amid a change in year-end and the percentage movements have been calculated by the company based on estimates for the same six months of the previous year.

Matsushita said the transitional figures represented a recovery, as an expansion of domestic sales offset the continuing impact of the high yen on overseas operations. Domestic sales of video equipment, home appliances and housing-related products did particularly well.

The whole video side showed a 4 per cent contraction, however, as currency influences on the North American market more than offset the benefit of newer products such as video camcorders.

Sales of home appliances grew some 9 per cent - air conditioners, refrigerators and microwave ovens did best - but turnover in audio equipment fell 6 per cent.

It forecast group sales for the full year to March of Y4,670bn, an approximate increase of 5 per cent. Net earnings are expected to rise 12 per cent to Y157bn.

Sales rise at LTA but profits slip

By Jim Jones in Johannesburg

LTA, ONE of South Africa's larger civil engineering and construction companies, increased turnover in the six months to September but suffered a fall in margins as competition increased.

Interim turnover rose to R610m ($313.1m) from R582m but pre-tax profits were R5.1m against R5.5m.

Mr Colin Wood, managing director, says the construction industry is at its lowest ebb and that competition has forced margins to barely profitable levels. He expects better trading conditions and profits in 1988.

The construction industry as a whole expects to benefit from the Highlands water scheme by which water will be diverted from Lesotho through a series of dams and tunnels to rivers feeding the Witwatersrand industrial area.

First-half net earnings per share dropped to 11 cents from 20 cents and an interim dividend has again not been declared. Last year ordinary earnings totalled 22 cents and an ordinary dividend was not paid.

Neptune Orient halves price of rights issue

BY OUR FINANCIAL STAFF

NEPTUNE ORIENT Lines, the Singapore-based shipping group, has cut by more than half the price of its one-for-one rights issue as a result of the market collapse, and now aims to raise only S$178m (US$88.1m) instead of the S$370mln proposed in September.

Shares in Neptune Orient have fallen to S$1.38 compared with a level around S$3 when the plans were first unveiled. The new price is S$1.05 a share against the original S$2.20.

Its decision to persist with the fundraising contrasts with the general trend in which at least six companies in the island state have deferred or cancelled planned rights issue since the October 19 crash.

At the same time, however, **Goodman Fielder Wattie**, the newly merged Australasian foods combine, has been moving to increase its control over **Cold Storage Holdings**, Singapore's leading food processor and retailer, spending S$20.7m in lifting its stake.

Goodman's total interest is now some 63.6 per cent, with just over a fifth of the company held directly and the rest through a joint venture with Fraser and Neave, the Singapore bottling company which separately owns a further 8.3 per cent of Cold Storage.

The purchase price for the latest parcel, equivalent to about S$4.44 per share, compares with a S$3.56 closing level yesterday.

CSR tightens hold on targets

BY OUR FINANCIAL STAFF

CSR, the Australian sugar group which also has extensive interests in building products, has tightened its hold on two takeover targets in that sector.

It has this week purchased a further 8.9 per cent of Timber Holdings, taking its stake to nearly 29 per cent. As a result of this, CSR is also now entitled to more than 25 per cent of Softwood Holdings.

CSR said this was because it was deemed to be entitled to Timber's 16 per cent stake in Softwood in addition to the 9 per cent purchased on-market last week.

The share buying in Softwood was undertaken at its offer price of A$2.40 a share, while the Timber purchases were, similarly, made at its takeover bid price of A$2.75 per share, CSR added.

Both target companies have urged rejection of the bids.

Stephen Fidler on the first 18 months of UK commercial paper

Rising demand for sterling CP

SINCE ITS establishment in May last year, the market in sterling commercial paper has grown steadily. *More than 80 companies* have notified the Bank of England of programmes with a total value of £8bn and, by the year-end, the market should exceed £2.5bn in size.

The market has had its detractors, who have questioned its usefulness in view of the range of financing alternatives available, and there are those who believe that the Bank of England has restricted the market's growth by placing too tight a restriction on which firms may issue paper.

Under current rules, for example, General Motors Acceptance Corporation - the largest issuer of commercial paper in the world - cannot borrow by issuing sterling commercial paper *because it is not listed* on the London Stock Exchange with a capitalisation of more than £50m.

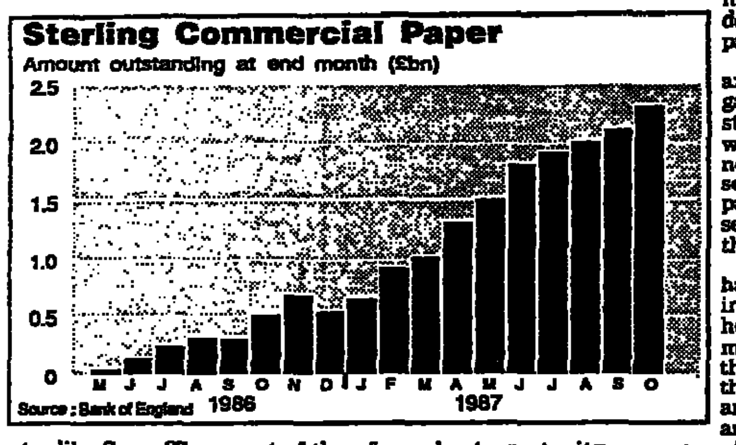
There are hopes, however, that these regulations may well be relaxed in the coming year to permit important foreign borrowers to use the market.

While rising, current issue volumes are certainly not enough to *make the sterling CP market* profitable for the dealers promoting it. Assuming a spread of 2 basis points as their turn for placing the paper, and an average maturity of 30 days, this suggests total income for all the dealers in the market of about £450,000 a month. Volumes need to be much higher, or the number of players fewer, before they find it *profitable.*

Midland Montagu Commercial Paper is this week publishing a survey of investor opinion in the market. A questionnaire was sent out to 720 likely users of the sterling money markets, including companies, pension fund *managers*, insurance companies, investment and unit trusts and - even though they are not yet permitted to deal in sterling CP - building societies. Responses were received from about 28 per cent of those circulated.

The main conclusions are:

● Demand for sterling CP should continue to increase



steadily. Some 37 per cent of the *respondents had invested in the* paper, a further 10 per cent expected to do so over the following 12 months, and another 41 per cent said they expected to be investors at some point.

Among corporate investors, 25 per cent said they thought their sterling CP holdings would increase, while among investors from other sectors, 78 per cent said *they thought their holdings* would rise.

● Investors view sterling CP as a "cash equivalent" and something which they hold to maturity. Some 99 per cent said they normally bought sterling CP with the intention of holding it to maturity.

Nevertheless, one-third of investors said they had sold sterling CP prior to maturity, 80 per cent of them to meet a requirement for funds. The same percentage sold the paper back to the dealer from which they bought it.

There is a distinct preference for short maturity paper, *although non-corporate investors* tended to prefer longer-dated paper.

● Credit ratings are likely to be more widely used. Seventy-two per cent said they viewed a credit rating as very important in influencing their decision on where to invest, while 71 per cent described the company name as very important. Fifty-seven per cent *said they* would invest only in rated paper, while over 90 per cent said they thought ratings would become more important.

Only about 10 sterling commercial paper programmes are specifically rated, although other issuers, such as ICI, have ratings for their US paper which is enough to satisfy many sterling CP investors.

● Most investors are satisfied with the market. Four times as many respondents said they thought sterling CP offered competitive yields as those who did not, and this ratio rose to over nine to one among those respondents who had invested in the paper.

The debate about the secondary market in sterling CP is gathering some force. There are still those among the dealers who believe the sterling CP business is still too young to have a secondary market. Trading of paper, they argue, threatens to send misleading price signals to *the primary market.*

However, the discount houses have started to express a keen interest in both trading and holding commercial paper - a money market instrument that they feel comes naturally within their ambit. They see liquidity as an important benefit to investors and a secondary market as a significant discipline on issuers.

Figures released yesterday by the Bank of England showed that the total amount of sterling CP outstanding rose to £2.3bn at the end of October, from £2.15bn at the end of September. The market crossed the £1bn point only in March. Holdings by the monetary sector, including banks, rose by £44m during October to £867m.

Sterling Commercial Paper - Investor Survey. Midland Montagu Commercial Paper, 10 Lower Thames Street, London EC3R 6AE.

Switzerland 'helps US on insider trading'

SWITZERLAND HAS routinely lifted its strict bank secrecy over the past five years to give US investigators information about alleged insider trading, **Reuter reports from Zurich.**

Mr Peter Forstmoser, chairman of the commission that oversees implementation of the 1982 *memorandum of* understanding between the two countries, said Switzerland has granted half the requests by the US Securities and Exchange Commission for assistance in connection with questionable stock transactions.

The pact is separate from the bilateral treaty governing mutual legal assistance.

"There have been around five or six requests from the SEC, and each one usually involves two or three banks and between two and 10 people at each bank," Mr Forstmoser told a meeting of the Swiss-American Chamber of Commerce in Zurich.

Insider trading, whereby dealers profit by using privileged information not available to the public, is not a crime in Switzerland. The practice is illegal in the US, Britain and many other countries and would become illegal in Switzerland, too, if both houses of parliament approve minor amendments to bills already passed.

CFTC reviews rules on index futures contracts

BY DEBORAH HARGREAVES IN CHICAGO

THE US Commodity Futures Trading Commission (CFTC) is considering tightening its rules for approval of new stock index futures contracts in the wake of the stock market crash.

In the meantime, the CFTC has called for more detailed analysis by the exchanges applying for new index contracts. While the regulatory body reviews "certain questions" raised by stock index futures activity during the October stock market collapse, it has sent several new contracts on its files back for further consideration.

The CFTC has suggested that the exchanges take a look at several areas, one of the most important of which is the emergency rules procedure to be applied by the exchange if trading in the underlying cash index of stocks is halted.

There has been widespread concern at the decision by two of the Chicago exchanges to halt trading in stock index futures on October 20, because many stocks were halted on the New York Stock Exchange. The hour's trading halt at the futures exchanges left many traders locked into positions in a rapidly falling market.

Hong Kong SE chief executive resigns

By Our Financial Staff

THE FIRST departure among the senior management of the Hong Kong Stock Exchange was announced yesterday when the exchange said it had accepted the resignation of Mr Jeffrey Sun as chief executive officer.

Mr Robert Fell, the territory's former Banking Commissioner, assumed the post of senior chief executive of the exchange last month. This followed criticism of exchange officials under Mr Ronald Li, who remains as chairman, for closing the market for four days in October after Black Monday.

A special committee under Mr Ian Hay Davison,

Robert Fell: took control last month

former Lloyd's chief executive, has been set up to review stock and futures market operations.

The exchange said Mr Sun's resignation, submitted last month, becomes effective on January 31 and that he planned to emigrate to Canada.

● Two companies yesterday announced plans to seek a *Hong Kong share* quotation, providing a very modest indicator of revived new listings activity - neither is to undertake a public flotation.

RJP Electronics, a maker of toys and calculators, plans to raise up to HK$40m (US$5.1m) through a private placement arranged by Citicorp *International*. *Its* shares are then due to start trading by the end of the year.

Genting International, the Isle of Man incorporated casino operator spun off from Genting of Malaysia, has also applied to the exchange for a listing through an introduction. Sun Hung Kai International, its adviser, said Genting International has issued 270m shares, of which less than a fifth are now held by the parent.

The company operates casinos in Perth and Adelaide in Australia, and in the Bahamas.

Multiple option financing for Volvo

By Our Euromarkets Editor

VOLVO, the Swedish carmaker and industrial group, has mandated Credit Suisse First Boston to arrange a $700m multiple option financing in the Euromarkets, of which $350m is a committed revolving credit.

The borrower is to obtain keen terms in what is becoming a hotly *competitive* market for corporate Eurocredit business. On the committed portion, it will pay no margin above London interbank offered rates.

The facility fee is 4 basis points for the first three years and 5 basis points for the remaining two years, *and there are utilisation* fees of 8½ basis points if the credit is up to one-third drawn, 7½ basis points if it is up to two-thirds drawn, and 12½ basis points if drawings exceed that level.

The remainder of the financing is an uncommitted tender panel facility for multi-currency cash advances, which may only by made through this facility and not through the committed portion. Volvo will use the funds partly to back commercial paper issues.

Separately, Associated British Ports has mandated Barclays de Zoete Wedd for a £100m five-year evergreen multi-option facility of which half is committed, with an underwriting fee of 7½ basis points. BZW is also arranging a £75m multi-option facility for Staveley Industries, a UK measuring equipment and salt concern.

Ciba-Geigy, the Swiss pharmaceuticals and chemicals group, is to have a $200m Eurocommercial paper programme arranged by Swiss Bank Corporation International with CSFB, Morgan Guaranty and UBS *(Securities)* as the other dealers.

Carefully priced Euroyen deal from Credit Foncier

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

CREDIT FONCIER de France, the housing and construction financing agency which borrows with the French Government's guarantee, yesterday made an expected Y20bn Eurobond issue led by IBJ International.

The seven-year issue, following the pattern seen in the yen and other sectors since October's turmoil in financial markets, was for a respected sovereign name and was carefully priced. It carries a 5¼ per cent coupon and was priced at 101¼. When the fees were taken into account, this gave a yield of 5.35 per cent, *viewed in the market as not a* bargain but not excessively expensive either.

Consequently, it met a reasonable, if not over-enthusiastic, response from a Euroyen market which yesterday failed to take encouragement from strength in the Japanese government bond market and drifted easier.

IBJ International said the issue *had met demand from central* banks and European investment funds. There was no effort to pre-place it in the Tokyo market. IBJ said it had placed its Y8bn commitment and that other members *of the management* group had also found customers for the bond.

Existing bonds issued by French official agencies, maturing nine months before Credit Foncier's, were yielding around 5.29 per cent yesterday morning, so the new issue offered little yield pick-up. Dealers said orders for it appeared to be outright purchases rather than switches out of existing issues.

By the end of the day, the issue was bid at a discount equal to its 1⅞ per cent total fees, though it had earlier traded within the fees. It was perhaps *not helped by the listlessness of* the Euroyen sector, which is being held back by doubts about the likelihood of Japanese official interest rate cuts and by expectations of further new Euroyen issues.

Elsewhere, bond markets had a quiet day, with Eurodollar bonds virtually unchanged, though New York was a shade weaker. Steadiness was aided by quieter currency markets as central

INTERNATIONAL BONDS

banks moved to stabilise the dollar's fall with concerted intervention.

Drexel Burnham Lambert led a $75m floating-rate issue, with an additional $50m on tap, for **Far West Capital Corporation**, a special purpose subsidiary of Far *West Savings and Loan*, a California institution owed by the Beizberg family.

The five-year issue was priced at par with an interest margin of 32½ basis points above three-month *London* interbank offered rates, and is secured by a portfolio of corporate bonds. A downgrading of the issuer from AAA status by either of the main US credit *rating agencies would be* an event of default which could trigger redemption. The issue was essentially pre-placed and Drexel was bidding it at par.

In West Germany, domestic bonds fell 30 basis points at the longer end, but shorter-dated securities showed small price gains. Seasoned D-Mark Eurobonds were also mixed, but more recent issues fell slightly.

There remain lingering doubts among some dealers that the Bundesbank will cut its 3 per cent discount rate on Thursday and about the amount of any reduction. The Bundesbank will today add liquidity through 34-day repurchase *agreements* at 3.25 per cent, the same rate as the last such transaction. The unusually long period of the repurchases is seen as a sign of the Bundesbank's desire not to allow any upward pressure on rates.

The Federal Post Office's new DM2bn 10-year bond was set yesterday as expected with a coupon of 6½ per cent, but the price of 100½ was above expectations and disappointed the market. This gave a 6.43 per cent yield.

***Zanders International* Finance**, a subsidiary of a West German papermaker, made a DM75m issue led by Deutsche Bank. The seven-year bonds, priced at par with a 6¼ per cent coupon, were bid well within fees at 1 point below issue price, at which level the issue was yielding about ⅛ more than bank bonds.

In Switzerland, foreign bond prices ended unchanged. A SFr100m 5 per cent issue for the **City of Yokohama** ended its first day's business at 100¼, *against a 100¼ issue price.*

The **City of Vienna** made a SFr54m four-year private placement with a 4⅞ per cent coupon and price of 100¼. It was led by Wirtschafts-und Privatbank.

In the dollar market, Sanwa International led a $30m five-year floating-rate issue for a vehicle company, **Flash Five**, with a price of 100.1 and coupon *of 21 basis points above Libor.*

Statoil to consider Johnsen position

BY OUR FINANCIAL STAFF

THE NEW board of Statoil, the Norwegian state oil company, announced yesterday that it would decide within a week whether to accept the resignation of Mr Arve Johnsen, the beleaguered group's managing director.

Mr Jan Erik Langangen, who was appointed chairman of Statoil's board five days ago after all six government-appointed board members resigned, said the board would reconvene on Friday.

"Mr Johnsen's future in the company will be the main subject of Friday's talks," he told a press conference in Oslo after the new board's first meeting.

Mr Johnsen resigned in the face of growing public anger in Norway after the publication of figures showing that the company's big Mongstad refinery project had seriously overrun its projected costs. The other members of the old Statoil boardalso announced *their resignations in* the face of mounting political pressure.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92⅞	93¼	+0⅛	−0⅛	9.61
All Nippon Air 9⅞ 97	100	92¾	93¼	+0¼	−1⅞	10.55
American Brands 8⅞ 92	150	97⅛	97⅝	+0⅛	−0⅛	9.58
A/S Eksportfinans 7⅞ 93	100	91⅞	91⅝	+0⅛	−0⅞	9.57
A/S Eksportfinans 7¼ 92	150	92¾	93¼	−0⅛	−1	9.35
Barc. Bk. Fin. 10¼ 89	200	†102⅛	102⅝	0	−0	8.91
Belgium 9⅛ 92	400	99⅛	99⅝	+0⅛	−0½	9.27
British Telecom 7⅞ 96	250	86	86½	+0¼	−1⅞	10.03
British Telecom 8⅞ 94	150	96⅛	96⅝	+0⅛	−1	9.62
Canada 9 96	1000	96⅞	97⅜	+0⅛	−1⅛	9.50
Canadian Pac 10⅞ 93	100	102⅝	102⅞	0	−0⅞	10.23
C.C.C.E 7⅛ 91	113	93⅝	94	+0¼	−0½	9.13
C.N.C.A 7¼ 91	150	92⅞	93⅜	+0½	−0⅛	9.36
Coca-Cola Ent. 8¼ 90	100	†97¼	97¾	+0⅛	−1	9.33
Credit Lyonnais 9 91	200	99⅛	99⅝	+0½	−0½	9.11
Credit National 7⅞ 92	100	93⅝	93⅞	+0⅞	−0⅛	9.18
Credit National 7¼ 91	150	93⅞	94⅜	+0½	−0⅛	9.04
Denmark 7⅞ 92	500	91⅞	91⅞	+0⅛	−0⅛	9.59
Denmark 8¼ 91	300	96¾	97¼	+0⅛	−1	9.24
E.E.C 7 93	100	93⅝	93⅞	+0¼	−0⅛	8.96
E.E.C. 7¼ 93	250	91⅜	91⅞	+0⅞	−0⅛	9.32
E.E.C 8¼ 96	100	91	91⅜	0	−1⅛	9.81
E.I.B. 7⅞ 93	100	91½	92	+0⅛	−1¼	9.48
E.I.B. 9⅞ 97	150	97⅛	97⅝	+0⅛	−1⅛	9.79
Finland 7⅞ 97	200	87½	88	+0¼	−0⅞	9.97
Finland 7½ 93	200	91¼	91¾	+0¼	−0⅛	9.46
Ford Motor Cred 11⅞ 90	100	105⅛	105⅝	+0⅛	−0⅛	8.56
Gen Elec Credit 10¼ 00	200	†101⅞	102⅜	+0¼	−0⅛	9.93
G.M.A.C. 8 89	250	98⅜	98⅞	+0⅛	−0¼	8.85
G.M.A.C. 8¼ 89	200	99⅛	99⅝	+0⅛	−0⅛	8.63
Hoesch 8¼ 97	100	†89	89½	0	0	10.07
Hoesch 7⅞ 92	100	†94½	95	0	−0¼	8.87
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	96	96½	0	−0½	5.34
E.I.B 4⅝ 94	40	96¼	96⅝	−0⅛	−1	5.28
Elec. De France 5⅛ 94	20	99	99½	−0⅛	−0⅛	5.26
Kansai Electric 4⅝ 94	60	95⅞	95¾	−0⅛	−0½	5.45
Norway 4¼ 92	60	96⅞	96⅞	0	−0⅞	5.15
Rep. of Italy 5⅞ 92	150	102⅛	102⅝	+0⅛	+0⅛	5.07
Sweden 4⅞ 92	50	96¾	97¼	+0⅛	−0½	5.12
World Bank 5½ 92	50	102¼	102¼	+0⅛	−0⅛	4.93

[illegible]

Investment

Some coins more equal than others

LONDON, 15. October. The multitude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads in the dailys or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. Basically, there are five different types.

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., thus are traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, a truer definition would include those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or quality of the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804; however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. Current coins are those struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly high agio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category between hobby and investment, since they also maintain … value, even if the price of precio… …ould fall.

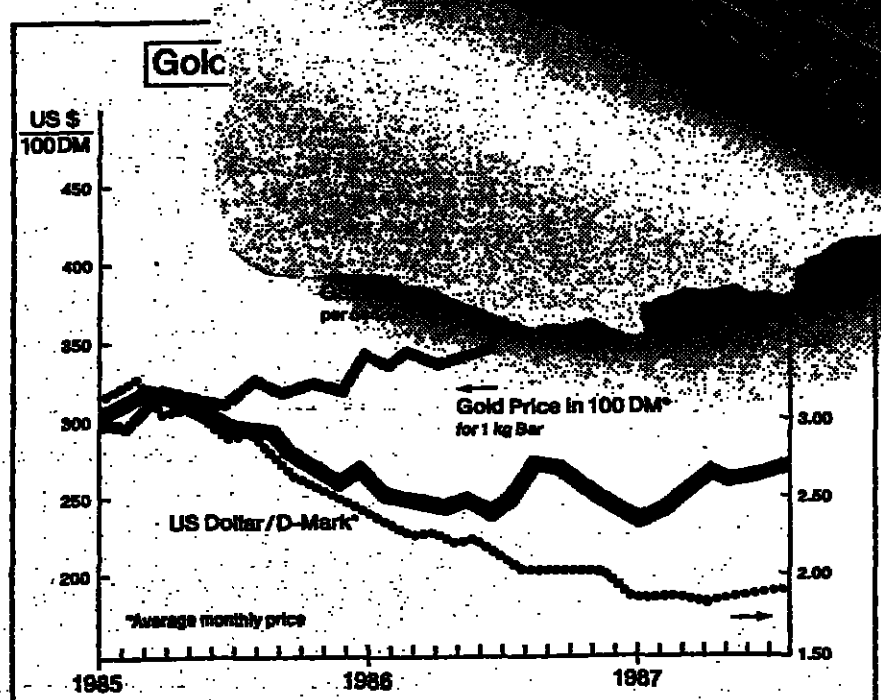
5. Medallions. … lectables, but … an investme… at some s… anniversa… value is … and t… ally … ar… of … r…

Is r… in…

NEWYORK… blems in the United States… ing the expert… health of the … question if this … or are more … closing, resulting … all their customer… point to similarities to … to the crash of '29, just … have arguments to point o… different. This adds to the co… uncertainty that … around for a safe h… before it is lost to … failure.

All paper instru… or securities, are s… tions caused by i… control of fina… government bodies … out that precious met… gold, offer the ideal store of … value is intrinsic and not s… that of paper money.

Gold is international … to the fortunes of any … banking system. It can bri… sense of security, as it is … surance policy a… would come in a b…



Source: Handelsblatt

Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at $850 for one ounce in 1980. Currently, the price ranges between $400 and $500. In spite of this, investment advisors recommend to follow the golden rule – hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, *explains* Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toront, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable investment vehicle that protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

Gold Maple Leaf makes a breakthrough

World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 15. October. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of .9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Krugerrand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertable currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, while a minimal tax is charged in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in …ur sizes, it is able to satisfy the varying …ment needs of all investors. It is … one full troy ounce of pure … 1/2, 1/4 and 1/10 ounce of … es the coin attractive … the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 10 million Gold Maple Leaf coins – that's over 300 tons! – have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity – a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a …stly and time-consuming assay in other p… of the world. Gold bullion coins are … by governments, whi… …eight and …

… respect, the Royal Canadian Mint is especially strict. Although the purity of each Gold Maple Leaf is given as .9999, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a *minimum guaranteed* by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gol… An ideal way to keep this golden n… with Gold Maple Leaf bullion … With no guarantee of the fut… …onomy, it is comforting t… …urity and weight ar… liquidit…

…mendation of most banks a… experts, in every individual … portfolio. The question is w… best way to own gold?

The choice between bullion c… bars, certificates or a precious me… account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces – one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is *available in grams, kilos and tons.*

Of particular importance is the purity or fineness of the gold. With small bars, or wafers as they are sometimes called, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

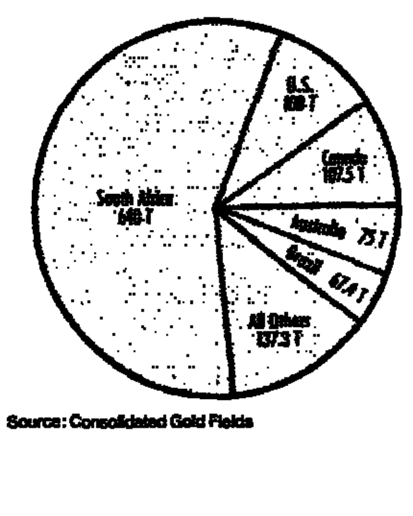
Coins – solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu- … coins … 1 ounce, … ce – so that inv… gold to meet their i… or needs.

Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars – Familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is … bars, … coins, … Taxes vary by c… usually similar to … e price is directly rela… …y fixing of gold, which is qu… …ices.

Gold Certificates – Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the ownership of gold. The precious metal remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank – for example 10 Gold Maple Leafs or 500 gram bars – which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



Source: Consolidated Gold Fields

Investment can also be beautiful

FRANKFURT, 15. October. The Royal Canadian Mint created not only a major bullion investment coin, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either $50 Cdn, $25 Cdn, $10 Cdn or $5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity – .9999; and date of striking. The first coin was struck in 1979.

One Eagle that doesn't fly

FRANKFURT, 15. October. Anonymous sources in banking circles …kfurt, Zürich and London … that the U.S. Eagle is not …g the same level of success in …as it has in its home market. …opean investor continues to …refer traditional gold products …as small bars or the better …lished Gold Maple Leaf. …ts say that less popular coins … do not enjoy the same liquidi… …e popular coins.

…ding statis- … households … assets. This … in the late 20's, …ly led to the cur- … the middle and …ety are over-extended … borrow. The result is …k placed upon the … Parallel to this is …t in speculation … few, forcing the … limits daily. The …w long can the … out before it … is subject is …e forefront …d financial

…and downs of gold coin

…AN, 15. October. Recent reports indicate that the coin from …er" stays down under in sales … competitors. After ini…cess in markets without …tors, the Australian …ying down. Sales of …e Leaf, recently …uickly eclipsed … wealth partner. …onymous sources in gold trading circles attribute this to the stronger international position of the Canadian bullion coin, which ensures tradability and liquidity.

Gold production up.

OTTAWA, 15. October. With a yearly production of over 100 tons (107 tons in 1986), Canada is third largest producer of gold in the non-communist world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, prospectors still roam the backwoods, searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 ounces – today they are known to be closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.

GEC cautious as interim profits disappoint City

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

PRE-TAX profits at the **General Electric Company** rose by just over three per cent in the first half of the year after the adverse impact of retrenchment costs in some activities and provisions for cost overruns on major projects.

The figures, which disappointed the stock market, where GEC shares fell by 6p to 157p, showed sales up marginally to £2.53bn from £2.51bn in the six months to the end of September.

Taxable profits amounted to £284m against £275m, but this figure was struck after charging £11m to irrevocable costs connected to the loss of the Nimrod early warning aircraft project. GEC added that its results had also been hit by currency factors, with profits £6m lower than they would have been at last year's foreign exchange rates, and sales £60m below the level of a year ago.

Earnings per share rose to 6.7p (6.4p). The interim dividend is increased to 1.8p from 1.5p.

In a cautious statement on trading prospects, GEC said that market conditions for some of its products "might well be difficult," and added that it remained on the look out for further acquisition opportunities that would help keep it on a growth track.

Lord Prior
chairman of GEC

In the last half year, it had been retrenching in activities where current and forseeable demand incated overcapacity. The divisions affected by these cuts, as well as by provisions for cost overruns, included industrial controls, electrical projects, mechanical handling, traffic automation, telephone activities, computers, Norsk Marconi and Moteurs Baudouin.

The automation and control division was particularly hard hit, with pre-tax profits falling to £15m from £22m. Medical equipment profits also dropped sharply to £6m from £9m, due to both flat trading and decline in the dollar, and income earned on the group's cash dropped back slightly to £67m from £69m. This reduction was partly caused by the acquisition programme, which has seen GEC spend £430m in the last six months. Trading profits from the newly-acquired businesses consolidated during the period amounted to £6m.

Consumer products, however, put on a particularly strong performance, as profits, helped by the acquisition of Creda, the domestic appliance group, rose to £24m from £16m. Electrical equipment division profits also increased strongly to £25m

See Lex

Allied Colloids jumps to £17m

BY PHILIP COGGAN

Allied Colloids, the Bradford-based chemicals group, yesterday announced higher than expected interim pre-tax profits of £16.9m (£12.75m) in the half-year ended October 3.

The 33 per cent profits jump was achieved on sales 20 per cent higher at £79m (£66.1m) and partly reflected a swing round in the interest position, with £272,000 of interest receivable against £371,000 of interest payable last year.

Although the bulk of Allied's profits come from overseas, the company said that the effect of foreign exchange movements on the profits increase had been negligible. Worldwide demand for its products remains strong and the company does not foresee any weakening in the short term.

Some raw material price increases have already been sustained and more are likely in the second half but the company has limited the effects on profits by passing on increases to customers and by efficiency improvements.

After tax of £6.42m (£5.01m), earnings per share were 35 per cent higher at 4.16p (3.08p). The interim dividend is being increased to 0.65p (0.5p).

● comment

The market has been holding its breath waiting for sterling's strength to make a dent on Allied Colloids' growth - after all, overseas sales are 81 per cent of the total. Thus a collective sigh of relief was released yesterday when profits were better than expected, particularly as the figures are traditionally skewed towards the second half, and the shares ended the day 5p higher at 100p. No currency impact was felt in the first half and Allied has cover up till August 1988; after that, the company's life must surely get more difficult. Those medium-term worries will restrict the shares' popularity despite the fact that sales growth is currently strong, the company has successfully managed to pass on raw material costs and has generated enough cash to leave it with an £11m pile by the end of the reporting period. Assuming pre-tax profits of £37.5m for the full year, the shares are on a prospective p/e of under 11.

Northern Secs. lifts NAV 47%

The net asset value of **Northern Securities Trust** showed a 47 per cent increase at 377.4p on September 30 over the corresponding figure of 257p last year.

In the six months to end-September income from investments came to £399,306 (£330,470), pre-tax profits jumped from £116,839 to £743,892 and earnings per share were lifted from 0.32p to 5.42p after tax of £160,586 (£78,765).

An interim dividend of 1p (0.7p) was declared.

Richard Tomkins on the poor response to Eurotunnel's offer

Blind eye to Tunnel's vision

WHAT WENT wrong with Britain's tranche of the £770m offer for sale of shares in Eurotunnel, the Anglo-French group building the Channel Tunnel?

Nothing, according to Mr Alastair Morton, the company's UK co-chairman. "I don't regard the response as a setback or a failure. In fact, I am extremely pleased," he said as the figures revealing the extent of the undersubscription in Britain came out on Monday.

But neither Eurotunnel nor its advisers can deny that a modest excess of demand would have been greatly preferable to having 20 per cent of the shares left with the UK underwriters.

Further, there was a very considerable gap between the number of applications actually received in the UK and the level of response forecast by Dewe Rogerson, Eurotunnel's UK marketing consultants.

So what did go wrong?

The easy answer is to blame the stock market. Any other company planning an issue of this size would have been regarded as foolhardy to go ahead in the wake of Black Monday. Eurotunnel, however, did not have the choice: without the equity offering, it would have been unable to start drawing down its £5bn worth of loan finance for the project, and the Channel Tunnel would have been abandoned.

In France, the stock market explanation may just suffice, since there had never been any statistics to suggest that the response would be any higher than it turned out to be. There was no share information office compiling registers of people asking for prospectuses, nor marketing consultants publishing research on latest levels of interest among investors.

Where the UK part of the offer is concerned, however, this explanation will not do. Dewe Rogerson's research, indicating that 574,000 UK investors were "certain" to take part in the share offering, was carried out on November 5 and 6 - long after the stock market crash. In the end, only 112,000 UK investors applied, so either the prediction was defective in the first place, or something happened to prevent it being realised.

Eurotunnel and its advisers are at pains to emphasise that there have been no recriminations over the outcome. But it is a badly kept secret that in the closing stages of the offer there were at least two rows between Dewe Rogerson and S.G. Warburg, Eurotunnel's lead merchant bank adviser in the UK.

The first was over the sponsors' refusal to confirm an opening date for the offer. Warburg insisted on keeping its options open until the day the offer began in case there was another market crash. Dewe Rogerson considers that the consequent uncertainty over the timing of the issue lost many potential investors.

The second row came after the offer had opened, when Warburg ruled that no daily tally giving the level of response to the UK offer was to be released. Dewe Rogerson considered this bad tactics: applicants for new issues, like to be reassured that they are not alone, it argued, and indications of an accelerating response would have given the issue greater momentum.

The public's response to the offer for sale was never of any great consequence. All that really mattered was that the issue should be underwritten: the day that happened, it became certain that the shares would be sold and therefore that the loan finance for the tunnel's construction would be secured.

One cynical theory is that if institutional investors were going to underwrite the issue, they needed to be reassured it would be a success, and the famed 574,000 figure - unveiled four days before the underwriting was due to be completed - played a very helpful role in this.

But, this theory goes, Eurotunnel and Warburg never really wanted that many applicants and therefore throttled back on the marketing. They did not want to be accused of "hyping" an issue which involved an unusually high degree of risk; a strong response would draw in the stags, with consequent damage to the after-market; a vast share register would be expensive to maintain; and a ballot would probably lose the tunnel more friends than it gained.

Alastair Morton
"Response not a setback"

While there may be an element of truth in this theory, the facts are probably more banal.

The success of the UK underwriting was secured not so much by marketing hype as by the efforts of Warburg Securities' Mr David Freud (former FT Lex columnist). His persuasive case for the investment merits of Eurotunnel's shares induced sufficient institutions to go above their normal weighting in the stock to make up for the large numbers who were not prepared to touch it at all.

But although Mr Freud was able to convince institutions of Eurotunnel's merits on a one-to-one basis, he could not do that with the public at large. Instead, most private investors reached their verdict on the basis of what they read in the fianancial press.

Dewe Rogerson's "certain to buy" figure was never actually that. It was simply an extrapolation from a small sample of people saying they were certain to buy on November 5 and 6. That was before they had seen the press verdict on the offer; and when they did, they found the general tenor was that Eurotunnel was good for a fling, but not much more.

The trouble then was that relatively high levels of investment were required to secure worthwhile travel perks - for example, £3,500 for two return trips a year over the life of the tunnel concession. There are not many people who are prepared to spend that kind of money on a fling. Many decided to forget it altogether, and those who still came in did so at much lower levels than expected.

Mr Morton's expressed delight at the outcome of the UK offer derives from the fact - revealed for the first time on Monday - that he had never expected more than 100,000 to 150,000 UK investors to apply for Eurotunnel's shares, so the figure of 112,000 was well within the bounds of his private estimate. Only the average level of application was in any way disappointing.

Mr Morton can also point to the fact that Eurotunnel will have more shareholders than most other companies - though in fairness it should also be pointed out that most other companies have not just conducted one of the most expensive stock market flotations ever known

If there has to be a final judgment of the flotation, it will probably be seen as a minor triumph in the circumstances. The French side seems to have been fully sold, Eurotunnel has its money, and the tunnel itself will in all probability now be built. The share issue flop has been on nothing like the same scale as the BP affair a month ago, and if the price does go to a discount in early dealings, it will be of little consequence to the vast majority

Allied-Lyons surges to £197.5m

By Lisa Wood

Allied-Lyons, drinks and food group, yesterday reported a £197.5m pre-tax profit for the 28 weeks to September 19, 1987, an increase of 33.4 per cent on the same period last year.

The results for the first time include a full half year from Hiram Walker, the 51 per cent Allied-owned Canadian-based spirits business which contributed £57.6m at the pre-tax level before financing charges of £20.7m and the minority interest.

Allied recently announced that it was acquiring the whole of Hiram Walker for £572m from an offshoot of Olympia & York, the Canadian real estate and resources company.

Allied earnings rose 15.3 per cent from 14.4p to 16.6p per share. An interim dividend of 4.35p per share has been declared compared with 3.9p last year, an increase of 11.5 per cent.

Sir Derrick Holden-Brown, chairman, said: "The record is a credible one and, despite stock market fears of recession, we face the future with confidence. Our strategy is designed to give us an international spread of businesses plus the brands to trade successfully in all weathers."

Allied's dollar earnings, said Sir Derrick, were less than 15 per cent of pre-tax profits.

The beer division, which includes Skol, Castlemaine XXXX and Lowenbrau, contributed profit of £87.1m, an increase of 13.8 per cent excluding property disposals. Lager production now stands at about 51 per cent of total production, ahead of the industry average of about 43 per cent.

The wines and spirits division, with brands including Teacher's, Babycham and Canadian Club, contributed £92.2m compared with £34.5m in the same period last year. The results, said Allied, reflected renewed impetus in Hiram Walker and continued success in Allied Vintners, businesses which would be fully integrated when Allied gains full ownership of Hiram Walker.

The food division, with a pre-tax contribution of £41m, showed a 20.6 per cent increase, with particularly strong contributions from European bakery and biscuit companies, the continental frozen-snack business, dry mixes in the US and motor vehicle distribution in the UK. Poor summer weather had some adverse impact on ice-cream sales but new product development offset some of this.

Allied's gearing at the half year stood at 57.9 per cent. Sir Derrick said that by the end of the financial year it should be little more than 50 per cent.

See Lex

Baltic in share deal with Aberdeen Fund

BY NIKKI TAIT

Baltic, an asset finance to financial services group, is selling its investment management division to **Aberdeen Fund Managers.**

Consideration for the deal is 1.125m convertible preference shares in Baltic, which - if fully converted - would give Baltic an 11 per cent interest in Aberdeen. In addition, Aberdeen is repaying £1.6m of inter-company debts to Baltic.

The Baltic business takes in the management of 11 unit trusts - compared with Aberdeen's four - plus a small private client side, which trades as Fraser Henderson.

Aberdeen's funds under management, however, exceed Baltic's at £84m. Post the Baltic deal, the combined figure becomes £120m.

In the 17 months to end-December 1986, Baltic's investment management division made a pre-tax profit of £385,000. Excluding the inter-company debt, there was a net deficiency of assets of £200,000 at the end of the period.

COMPANY NEWS IN BRIEF

ST IVES GROUP - chairman told annual meeting that all divisions were performing well. Company had entered current financial year with a strong balance sheet and substantial investment plans aimed at reducing production costs and increasing market share.

BAT INDUSTRIES- Wiggins Teape, group's pulp and paper subsidiary, has sold its drawing office and photographic papers businesses to James River Corporation of the US for an undisclosed sum.

BLACK HORSE Agencies is acquiring Locke & England, West Midlands estate agent with 10 offices. Black Horse now runs 450 offices in 40 counties; parent company is Lloyds Bank.

PEEL HOLDINGS has increased its stake in **Trafford Park Estates** from 12.8 per cent to 13.16 per cent.

CONTINUOUS STATIONERY sold property in Green Dragon Yard, London E, for £1.65m.

TRANSPORT DEVELOPMENT Group is buying Express Parcels (Portadown) and Express Parcels (Dublin) for £600,000.

BURMIN EXPLORATION and Development - Oliver Resources has acquired 301,000 shares to raise its holding to 1.65m (17.99 per cent).

HAY & ROBERTSON - pre-tax loss reduced from £11,177 to £2,797 for year ended May 31 1987. Turnover £251,700 (£286,389) and loss per share 0.004p (0.15p loss).

PEACHEY PROPERTY has sold freehold interest in Standon House, London E1, to Postel for £14.4m. The property is currently let to Sedgwick Group on a 25-year lease with five-yearly reviews.

JS PATHOLOGY is applying to move up from the USM to the main market. It is expected that dealings will begin on December 7.

RADIUS is buying Computerised Business Systems and its associated companies for £1.2m of which £120,000 will be cash and the balance in shares. In year to end-March 1987 CBSL achieved profits of £80,000 on turnover of £2m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Allied Colloids ......int	0.65	Feb 26	0.5*	-	1.88*
Allied-Lyons ......int	4.35	Feb 26	3.9	-	11.4
Atkins Bros ......int	3	Jan 20	2.2	-	8
Berry Trust ......fin	3.95	-	1.1	3.95	1.1
Birmingham Mint .int	2.75†	Jan 13	2.5	-	6.75
Calor Group ......int	5.5	Feb 8	-	-	-
Cape Industries ....int	1.5	Jan 11	1	-	3.5
Drummond Group .int	1	Jan 18	0.8*	-	2.46*
GEC ......int	1.8	-	1.5	-	5.3
Graham Motor§ ....int	1.25	Jan 15	-	-	-
Hogg Robinson ......int	3	Feb 3	5	3‡	11
Illing Morris ......int	1.5	Jan 14	1.25	-	4
Leeds Group ......fin	4	-	3.33*	6.25	5.2*
Logitek ......int	0.9	-	nil	-	1.3
Millward Brown§ .int	1.25	Jan 15	1.25	-	3
Monks & Crane§ ...int	1.2	Feb 4	1.1	-	3.1
Norcros ......int	4†	Feb 8	3	-	12
N'thern Secs Tst ....int	1	-	0.7	-	2.7
Polly Peck ......fin	6.13	April 6	4.38*	7.88	5.63*
Prontaprint§ ......int	1	Jan 18	1	-	1
Trafalgar House ...fin	8†	Feb 4	7	14.5	13.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ‡Company will not pay another dividend in respect of 1987.

PROFIT BOOST FROM PROPERTY AND CONSTRUCTION DIVISIONS

Trafalgar House rallies to £163m

BY NIKKI TAIT

SHARP PROFIT improvements from property and construction activities helped **Trafalgar House** to an 11.9 per cent pre-tax profits rise in the year to end-September.

In the 12 month period, Trafalgar made £163.2m before tax, compared with £145.8m in the previous year, on turnover 14.4 per cent higher at £2.37bn. At the halfway stage, Trafalgar reported a 25 per cent profits dip to £54.1m.

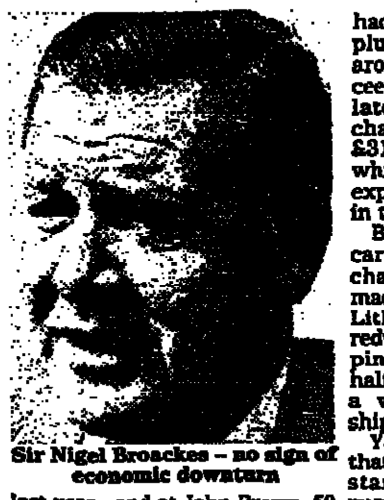
Trafalgar's earnings per share, however, bore the brunt of several paper issues during the year - in particular, the £306m placing for cash in August which was designed to fund the ultimately-abortive Pension Fund Property Unit Trust acquisition. As a result, earnings per share slipped from 32.7p to 31.6p.

Yesterday Sir Nigel Broackes, chairman, said that the company had not yet seen tangible evidence of any economic downturn in the current year, aside from a modest impact on passenger shipping, and possibly on hotel bookings in the UK where the company takes in London's Ritz Hotel. The shipping dowturn, he added, had principally affected North Atlantic routes, and the fall-off in hotel bookings could be attributed to American trade. US customers account for about 50 per cent of the Ritz's bookings. World cruise bookings on the QE2 remained satisfactory.

By division, the largest advance came from property and investment, where trading profits rose from £76.4m to £106.9m. Profits from investment dealing, however, were well below the £28m scored in 1985/6, totalling around £9m - including "several million" from the sale of Trafalgar's 6 per cent stake in Davy Corporation.

However, the commercial property side saw a large jump in turnover while housebuilding, which takes in Ideal Homes, also performed strongly with the number of units completed rising to 5,500.

On the construction and engineering side, margins were slightly better and the order book was some 20 per cent up on



Sir Nigel Broackes – no sign of economic downturn

last year - and at John Brown, 50 per cent ahead. Profits rose from £44.2m to £52.9m.

As widely expected, the shipping, aviation and hotels division weakened from £38.5m to £30.1m, hit by the impact of refitting the QE2.

By the year end, the company had a net cash balance of £13m plus trade investments worth around £50m-£60m, but the proceeds of the placing came too late to prevent the interest charge rising from £17.1m to £31.3m. Capital expenditure which totalled around £170m is expected to fall to around £70m in the current 12 months.

Below the line, Trafalgar again carried a heavy extraordinary charge of £51.6m (£78.7m) - made up of £25m for the Scott Lithgow run-down, £14.5m for redundancy costs on the shipping side (aanounced at the half-year), and around £10m for a write-down on some cargo shipping.

Yesterday, the company said that it knew of nothing to substantiate the various bid rumours which have swirled around it in recent months, and had seen no unusual activity in its share register. It refused to comment further on its 5.4 per cent holding in rival construction, civil engineering and mining group, Costain.

See Lex

Blue Circle ups stake in Birmid to 7.6%

By Mike Smith

BID SPECULATION surrounding Birmid Qualcast, the lawnmowers and boilers company, intensified yesterday after Blue Circle, the cement company, sent its broker Hoare Govett into the market with instructions to buy up to 8m of the company's shares.

Birmid strongly recommended shareholders not to sell but by the end of the day Hoare had acquired 3.5m shares at 300p, taking Blue Circle's stake to 7.6 per cent.

In its first public statement on Birmid, Blue Circle said that it was pleased to have added significantly to its investment in the company, which had several business areas of strategic interest to it.

Blue Circle, which already had 2.6 per cent of Birmid, said it has not yet decided whether to make a bid. "We have not yet made any serious proposals to Birmid but we want to show them we are intent," it said.

Birmid, which rejected merger approaches from Hepworth Ceramic earlier this year, has already made clear its desire to stay independent.

Had Blue Circle acquired 8m shares yesterday it would have controlled about 14.99 per cent of Birmid.

Last night Birmid's shares were 59p up at 301p. Before it disclosed Blue Circle's interest last Thursday the shares were trading at 200p.

Shares in Blue Circle fell 11p to 291p, which means they have lost more than 10 per cent of their value since Thursday's announcement.

Polly Peck up 22% to £86m with success in all sectors

BY CLAY HARRIS

Polly Peck, international agricultural products, consumer electronics and textiles group, increased pre-tax profits by 22 per cent to £86.2m for the year to August 29.

The final dividend is to be raised by 40 per cent, and another one-for-five scrip issue is planned.

The pre-tax advance from £70.4m was achieved on turnover ahead by 39 per cent to £380.8m (£273.7m).

The group's agricultural, food and packaging activities - largely based in Turkey and northern Cyprus - accounted for two-thirds of turnover, increasing sales by 19 per cent to £227m. Pre-tax profits rose by a more modest 12 per cent to £72.6m, but this reduced margins only from 34 to 32 per cent.

The consumer electronics division more than doubled profits to £9.3m on sales 90 per cent ahead at £91m.

The results from Turkish-based Vestel exceeded the company's own expectations and Turkish taxes lifted the group charge for the year to £16.6m or 19.2 per cent, from £9.1m or 12.9 per cent in 1985-86. Polly Peck expects the tax charge to fall to 15 or 16 per cent in 1987-88.

After the year-end, Vestel began exports of colour television sets to UK under the Bush name. Sales are running at an annual rate of 80,000 sets. The group also bought Capetronic, a leading Far East producer of own-brand consumer electronics.

Russell Hobbs Tower, the domestic small appliance maker bought from TI Group at the beginning of 1987, lost money throughout the financial year although Polly Peck said it was now profitable.

Textiles contributed pre-tax profits of £4.3m (£1.3m) on turnover of £63m (£35m). Pharmaceuticals and cosmetics made a small loss.

Group operating profits advanced by by 23.6 per cent to £94.2m (£76.5m).

Net interest payable (excluding that on unsecured loan stock) doubled to £6.13m (£3.06m). This reflected rises both in interest payable at £17.95m (£10.71m) and interest received at £11.83m (£7.65m).

Fully diluted earnings per share rose by 8 per cent to 45.6p (42.2p adjusted for last year's one-for-five scrip).

The final dividend of 6.125p (4.375p adjusted) makes a total of 7.875p (5.625p).

The company said yesterday: "Although there may now be doubts about the future level of world trade in general, compoanies such as Polly Peck which are primarily low-cost producers of essential needs for world markets should continue to progress."

● comment

Superficially, the pre-crash purchase of Capetronic - selling more than 60 per cent of its Taiwan-made consumer electronics to the US - could hardly have been more badly timed. However, the strength of the business itself and the benefits of shifting appropriate production to Turkey more than outweigh the immediate dangers of a falling dollar and fears of US recession and protectionism. The growth of Polly Peck's electronics side, in fact, is providing the perfect balance to the inevitable trimming of margins on agricultural products as the sourcing and distribution network has expanded. Nevertheless, Polly Peck has failed to maintain the relative re-rating it achieved in spectacular fashion during the waning months of the bull market. Despite better than expected results, the shares slipped yesterday to stand on a prospective full diluted p/e of less than 5, assuming pre-tax profits of £103m in the current year. If, as likely, the post-crash fall reflects a "flight to quality" in time of uncertainty, it has been overdone and is based on an outdated view of the company. The shares should claw back some of their lost ground.

Illingworth jumps 25% to £4.3m midway

BY ALICE RAWSTHORN

Illingworth Morris, the wool textiles group, yesterday announced a 25 per cent increase in pre-tax profits to £4.3m for the first half of its financial year, on turnover - from continuing businesses - which rose by 8 per cent to £46.7m.

Mr Alan Lewis, chairman, said that every area of the group had performed well. The business now holds a sizeable cash surplus and is scouting about for acquisitions in both the textiles and speciality chemicals fields.

Illingworth, which was founded in the 1920s, is the largest single company within the the Yorkshire wool industry. It plunged into problems during the recession of the 1970s. In the following decade these problems were compounded by bouts of boardroom battles.

Four years ago Mr Lewis, a Manchester businessman, took control of the group. After a period of rationalisation and disposals Illingworth was returned to profit.

In the six months to September 30, operating profits rose to £3.8m (£3.1m), other income to £509,000 (£352,000) and interest receivable to £61,000 (£5,000). Taxation deducted £1.5m (£1.1m). Earnings per share increased to 6.8p (5.5p). The interim dividend is 1.6p (1.25p).

The manufacturing of garments bearing the brand name of Crombie cloth has now been brought under the aegis of the Illingworth group. The company plans to develop the Japanese market for Crombie, and its other wool textiles, by forming a joint venture for distribution in Japan.

Illingworth is now investing in new product development within its speciality chemicals division and in improving finishing at West of England, the subsidiary which makes cloth for tennis balls and snooker tables.

Mr Lewis said that the second half had begun "very well". Illingworth now hopes to use its surplus cash to buy businesses with strong brand names

● comment

It must be galling indeed for Illingworth Morris to have emerged from so painful a period of restructuring only to watch its share price crumble when the stock market collapsed. Ostensibly there is no reason why the price should have performed so poorly. Given the extent of its recovery and the broad base of its businesses, Illingworth should have been more sheltered from the crash than many other manufacturing stocks. The problem seems to be one of perception. Illingworth straddles the small companies and the textile sectors: both of which suffered unduly during the crash. Nevertheless the strength of its established businesses, indicated in these interims, should stand it in good stead in the second half. The City expects profits of £9.7m and earnings per share of 16p for the full year. This leaves the shares on a prospective p/e only slightly higher than the yield: an equation which speaks for itself.

Lilliput Property ready to buy

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Lilliput Property Unit Trust, owned by 132 pension funds, is embarking on a more aggressive policy of acquisition following an unexpectedly large number of subscriptions for its units.

The committee of management said yesterday that the fund had now become close-ended with subscriptions of £35m, or £10m more than the original target. The closing date for subscriptions was October 8,

The heavy level of subscriptions is partially explained by the degree of liquidity at some pension funds after the sale of their units in the bigger Pension Fund Property Unit Trust to Mountleigh and the Fleming Property Unit Trust to Scottish Provident.

Lilliput now plans to split its resources into three parts: the first will be used for traditional property investment, the second for a liquidity reserve and the third will help to fund Lilliput Properties.

The Trust will provide Lilliput Properties with initial equity of £5.25m in line with the new policy of putting up to 15 per cent of the Trust's resources into the company.

Hogg Rob. & Gardner slips back to £2.8m

BY NICK BUNKER

Hogg Robinson & Gardner Mountain, the insurance broker, saw its pre-tax profits shrink 8 per cent to £2.82m for the six months to September 30.

Earnings per share slipped back 32 per cent to 2.39p. The deterioration occurred in spite of a 39 per cent increase in underlying group broking profits, HRGM said yesterday. It is also changing its year-end from March 31 to December 31 to fall into line with subsidiaries. The shares gained 3p to close at 123p.

HRGM said its direct broking operations were "performing well," especially in the UK and in the US, where it owns Republic Hogg Robinson.

It has also now settled claims against it arising from the collapse several years ago of Multi Guarantee, a London insurance intermediary.

Part of the fall-off in pre-tax profits was because HRGM made an exceptional profit of £1.21m at the half-way stage last year. This came from the sale of most of its stake in Markel, a US insurance managing general agent.

HRGM has also taken no credit for any half-yearly profits from its 49 per cent stake in Cresvale Securities, an investment company, which has incurred dealing losses since September 30.

Group turnover grew by 6.3 per cent to £37m, but investment income fell 3 per cent to £3.4m. Operating expenses were up 4.5 per cent at £37.4m.

After-tax profits fell nearly 8 per cent to £1.85m. HRGM then reported as an extraordinary item the £1.09m costs of demerging this summer from Hogg Robinson, the travel, property and financial services group, and fighting off a hostile bid from TSB, the banking group.

● comment

The impending switch in HRGM's year-end is welcome, to bring it in step with the sector. But yesterday's exceptional items added to the medium-term muddle that an accounting period change will cause in investors' minds. True, expenses at HRGM seem well under control. And retail broking, its reliable but unglamourous mainstay, looks firm for now, with RHR's brokerage up 26 per cent at $29m (£16m) for the six months. HRGM has also acquired executive defectors from rival broker Bain Clarkson who will try to revive the group's weak London market reinsurance and wholesale business. Assume £13.5m pre-tax for the whole of 1987, and the shares look cheap on a multiple of 7.5. The negatives are that even RHR surely cannot for long escape the impact of the US insurance industry rate-cutting that has scalped other American insurance brokers and agents in the past year. And that would leave UK retail as the only solid earner.

Prontaprint recovers to £0.3m at interim stage

BY HEATHER FARMBROUGH

PRE-TAX profits at **Prontaprint Holdings**, USM-quoted franchiser of high speed print shops, recovered from £80,000 to £307,000 for the six months to October 9.

"We are back in our stride," said Mr Edwin Thirlwell, chairman. Prontaprint has returned to concentrating on its core business of printing and copying, following last year's disappointing results.

"There was never anything wrong with the core business," Mr Thirlwell added. "We just had a hole in the bucket."

Turnover increased by 9 per cent, from £1.8m to £2.0m, while franchisee sales in the UK rose by 12.6 per cent to £16.3m in the period. Prontaprint has recruited 28 licensees for existing and additional franchises.

Earnings per share were 2.75p (0.51p). The company is maintaining its interim dividend at 1p having passed its final last time. There is £1.5m cash which is expected to increase. Marketing expenditure is well within budget, Mr Thirlwell said.

Overseas, 34 new shops have been opened, mainly in France, Spain and Denmark and a pilot unit in Hong Kong, the first in the Far East. Since the last year end, the company has agreed to sell its minority stake in its associate Canadian company, Zippy Print. It expects to realise its orginal investment.

Prontaprint is continuing to develop its business centre concept. It intends to develop three key areas: printing and copying, which is the mainstay of the business; office support which will include stationery, computer stationery and office supplies; and thirdly, communications.

● comment

Encouraging results admittedly, but it will be some time before the market forgives and forgets the previous set which were, in the words of the chairman, disastrous. The right steps have been taken: cutting back on advertising, abandoning unsuccessful diversifications and reasserting stronger managerial controls. One director has since resigned and Mr Thirlwell has resumed day to day control. He is confident that there is a world of difference between the proposed moves into office printing and past ones into domestic cleaning services and the confectionery business, but shareholders may need convincing. Prontaprint should report at least £650,000 for the year, but on a prospective p/e of 15 it is dear.

Cityvision rights flop

Cityvision's £4.4m rights issue, launched in mid-October, has flopped with shareholders taking up just 0.29 per cent of the new shares. The issue, however, was fully underwritten and enables the USM quoted company to buy the 50 per cent of Videoserve which it does not already own.

Norcros on course to hit £62m

BY CLAY HARRIS

Norcros, the building products and specialist print and packaging group, has narrowed its search for a new chief executive to four external candidates.

The new executive will replace Mr Terry Simpson, who was dismissed abruptly two weeks ago after a boardroom disagreement over the implementation of strategy.

Norcros yesterday reported pre-tax profits of £24.6m for the six months to September 30, a 22 per cent rise from the comparable £20.1m. It confirmed its forecast of £62m pre-tax for the full year, excluding the contribution from a recent acquisition, the electric showers maker Triton.

Mr John Redwood, the Conservative MP who is Norcros's non-executive chairman, said that candidates were being assessed on their ability to lead the management team and to represent Norcros to the wider world. Mr Simpson's compensation for loss of his £115,000 a year job is still being negotiated.

Mr John Hopkins, acting chief executive, said the group's strategy was now based on two premises: "Margins only decay" and "Products enjoy a finite life." Norcros planned to exploit new high-margin markets but not be reluctant to withdraw from areas which were past maturity.

Of £40m in capital expenditure this year, more than half is going to install fast-firing kilns in H&R Johnson and Adderley Green ceramic tile factories and to open new UBM builders merchants outlets, and convert others to "dual focus" shops to increase appeal both to trade and DIY customers.

Norcros is negotiating to sell UBM Motors, operator of Ford dealerships in Bristol, Exeter and Winchester. It accounted for pre-tax profits of £700,000 and sales of £17m in the first half.

The group said it had pulled out of a possible US acquisition before the October crash because it considered the price and dollar rate too high. Its attention was turning again to the US, especially in print and packaging, but purchases were unlikely in the near future.

Norcros has sold dollars forward, at rates well below $1.70, to cover its expected US remittances until mid-1989.

By division, building materials manufacture contributed operating profits of £10.21m (£8.83m), distribution £5.85m (£4.55m), specialist print and packaging £6m (£5.04m), international £3.14m (£2.27m) and property £2.26m (£1.36m).

Turnover increased by 10 per cent to £343.5m (£311.8m). There were declines in contributions from associates at £60,000 (£923,000), investment income of £548,000 (£999,000) and interest payable of £3.37m (£4.25m). Tax rose only to £8m (£7.67m).

The group's narrowly successful takeover defence against Williams Holdings in April resulted, as previously forecast, in a £5.3m extraordinary charge.

An increase by one-third in the interim dividend to 4p (3p) paralleled the 32.6 per cent rise to 12.6p (9.5p) in earnings per share.

Norcros yesterday appointed Mr Peter Warry, Plessey Telecoms planning and business development director, as executive director with responsibility for construction and window companies.

● comment

It is not surprising that only the implementation, not the strategy, was in dispute. The intention to develop, efficiently produce and effectively market high-margin branded products is hardly novel (as Norcros is first to admit). The problem is that its record and style in implementing that strategy has been pallid compared with more ruthless rivals like the predatory Williams. Terry Simpson cannot be expected to carry this can away, either, for Norcros is at pains to emphasise that the company is bigger than any one man. Nevertheless, his successor will need to have the confidence to exert firm central control, as well as strategic vision, without worrying about offending fellow directors. Pre-tax profits should rise to £64m for the full year, putting the shares on a prospective p/e of 10.5. Unfortunately for Norcros, this may leave it suspended uncomfortably between cheaper but more solid stocks and a slightly racier breed where the premium is justified by more dynamic management.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglo United, Argyll Group, James Latham, Mountview Estates, Rowlinson Securities, Christian Salvesen

Finals- Anglia Secure Homes, City Site Estates, Saatchi and Saatchi.

FUTURE DATES

Interims-	
Associated British Eng'g	Dec 10
Bogod-Pelepah	Dec 3
Continuous Stationery	Dec 9
Cranswick Mill	Dec 7
Greycoat	Dec 10
Halma	Dec 17
Hicking Pentecost	Dec 11
Israel (Jack L.)	Dec 15
Russell (Alexander)	Dec 11
Finals-	
Electronic Data Processing	Dec 15
United Scientific	Dec 9
Wolverhampton and Dudley Breweries	Dec 7

J Michael rejigs its funding package

By Philip Coggan

A CAPITAL injection package for John Michael Design, the USM-quoted design consultancy, has had to be drastically changed in the wake of a Takeover Panel ruling, the stock market crash and a poor set of interim results.

Hillsdown Investment Trust, a subsidiary of the foods-to-furniture group Hillsdown Holdings, had planned to inject £1.4m by subscribing with a consortium for 2m ordinary shares at 70p per share. But the Panel ruled that an associated option scheme, which could have taken the consortium's stake to 39 per cent of the company, could not be implemented without a full offer for all John Michael's share capital.

Since the package was arranged in early October, John Michael's share price has been drastically hit, falling from 117p, at the time the package was announced, to 42p yesterday. However, John Michael feels that, given improving long-term prospects, a smaller capital injection is now needed.

The new package will raise just £500,000 by a rights issue of 10 new ordinary shares for every 66 existing shares at a price of 40p per share. Two John Michael directors, Mr David Callcott and Mr Terry Moore, are selling their entitlements to the nil-paid rights to HIT for a nominal sum of £1.

HIT will take up the rights, equivalent to 7.2 per cent of the enlarged equity, and will also hold options on a further 2m shares held by Mr Callcott and Mr Moore.

John Michael's interim figures for the six months to September 30 show a continuing downward trend with pre-tax losses of £216,000, compared with reduced profits of £253,000 in the whole of last year.

The poor results reflected a combination of reduced turnover with nearly doubled operating expenses.

However, the company said that decisions taken to reduce costs and tighten financial controls indicated more encouraging results in the second half; it hoped to announce a return to profitable trading at the end of the financial year.

Legrand fails to take 14.9% of MK Electric

Mystery surrounds the intentions of **Legrand**, the French electricals company, following the disclosure yesterday that it managed to boost its stake in **MK Electric** to just 6.1 per cent following a dawn raid on Monday, rather than the 14.9 per cent it wanted.

A counter-bid from Legrand was expected - but it did not materialise yesterday. It is understood that Legrand and MK held inconclusive talks late on Monday night.

Acting on behalf of Legrand, broker James Capel went into the market on Monday offering 650p for each MK share, a 100p premium to RTZ's offer of 550p a share, which values MK at £206.5m. MK's shares soon rose above the 650p level, frustrating Legrand's plan to accumulate a 14.9 per cent holding.

Acquisitions help lift Birmingham Mint 73%

BY FIONA THOMPSON

THE LACK of 500m rupee coins meant fairly static profits on **Birmingham Mint's** existing businesses for the half year, but with the contribution from acquisitions, the pre-tax figure rose by 73 per cent from £936,000 to £1.62m.

For the past two years the company has enjoyed Indian Government rupee contracts worth £10m to £12m annually. The completion of these has meant a lower volume of coinage business and subsequently decreased profits in the security products division.

Yesterday's result "reflects growth by way of acquisitions in the past 12 months," said Mr Colin Perry, chairman. First, full-half contributions from S J & E Fellows, the metal presswork operation, and the Johnson Matthey electrical contracts business, both acquired this January, accounted for one-third of profits - about £500,000.

Turnover for the six months to September 30 rose from £13.53m to £16.59m. Mr Perry said electrical components had a very good six months, trading conditions were buoyant and the order book was strong.

In the engineering products division, Fellows, which makes stainless-steel catering equipment, showed good margins but profits were held back at Birmingham Pressings due to heavy start-up costs on new microwave oven contracts. Supplying the main microwave manufacturers - Sharp, Brother, Panasonic and Toshiba - with the oven cavities and facias accounts for £6m annually in sales. More than £700,000 has been invested in expanding the pressing business in the past year, with 60 new jobs.

Security products, despite coinage volume down, had a reasonably good six months, said the chairman. This division also makes badges and medals, primarily for armies and police forces in Africa and the Middle East.

The fourth division, electronics, has been formed since the October acquisition of Nevin Group and will make its first contribution in the second half.

The tax charge was £559,000, against £331,000. Earnings per share were 9.4p compared with an adjusted 9.3p. An interim dividend of 2.75p (2.5p) was declared.

● comment

Birmingham Mint's biggest customer is the electrical and electronics industry - good news in terms of growth. Less good news is that governments - primarily in Africa and the Middle East and often from developing countries - are its second biggest customer. Selling coins, badges, and all the metal bits that go on uniforms to developing countries is a notoriously volatile business and Birmingham Mint is keen to expand the three other legs of its business. High retooling and recruitment costs held back the engineering division this time but it is expected to show strong growth in the second half. The company is ungeared, has £1m cash and is looking for add-on acquisitions. The shares closed 2p up last night at 140p. Assumptions of full-year profits just above £4m produce an undemanding prospective p/e of 6.5p.

Drummond rises 20% halfway

BY ALICE RAWSTHORN

Drummond Group, the Yorkshire wool textile business, benefited from buoyant demand for all its products to increase pre-tax profits by 20 per cent to £903,000 in the first half on turnover which grew by 12 per cent to £14.4m.

The group, which abbreviated its name from Stroud Riley Drummond last year, has expanded rapidly in recent years by diversifying away from its base in men's suitings into the women's wear field.

Mr Stefan Simmonds, chairman and chief executive, said that both the worsted and knitting divisions had fared well during the first half. He identified the production of worsted cloth for men's and women's wear as the most dynamic area of the group's activity.

In recent years Drummond has redirected its worsted business, which supplies cloth for most of the major multiple retailers, into higher value fields. Mr Simmonds said that its business with Marks and Spencer - which provides a third of the division's sales - was faring well, despite a reported downturn in sales of M and S's outerwear.

Drummond has adopted a similar product strategy in its knitted fabrics division, where its merchandise has been steered towards the value added leisurewear field.

At the beginning of the year Drummond completed the construction of a new finishing plant, which has just come fully on stream. It intends to spend £1.5m on expanding and upgrading its production plants over the next two years.

In the six months to September 30 the group's operating profits rose to £1.2m (£957,000). It paid £251,000 (£209,000) in interest - gearing stands at between 40 and 45 per cent - and £82,000 (£56,000) in taxation.

Earnings per share (fully diluted) increased to 6.76p (5.43p). The board proposes to pay an interim dividend to shareholders of 1p (0.8p).

Mr Simmonds said that the response to the company's performance had been "very encouraging" so far in the second half, with record order books in every part of the business.

TI sells stainless tube side to Sandvik for £7m

BY SARA WEBB, STOCKHOLM CORRESPONDENT

Sandvik, the Swedish cemented carbide and special steels group, has agreed to acquire TI Stainless Tubes from the British **TI Group** for about £7.1m.

TI said the stainless steel operations no longer fitted in with its strategy of concentrating on specialised engineering businesses. The group had recently shed several of its operations, including the Raleigh cycle interests which it sold to Derby International.

TI Stainless Tubes is expected to have sales of £25m this year and should break even. It produces seamless stainless tubes, mainly for the chemical and power industries, has two production units (in Walsall and Chesterfield), and employs 550 people.

For Sandvik, the deal provides a stronger foothold in the European market and will strengthen its most important line of products (tubing), according to Mr Gunnar Bjoerklund, head of Sandvik Steel.

Sandvik is already in the UK market but does not have any tube production there. Its steel division produces annual sales of SKr4bn and makes tubes, strip and wire in stainless and high alloy steels. TI Stainless Tubes will still continue to supply the TI Group.

BA prepares for battle with SAS over BCal

BY CLAY HARRIS

British Airways expects the Government shortly to clear Scandinavian Airlines System to launch a partial offer for **British Caledonian Group** without a reference to the Monopolies and Mergers Commission.

Lord Young, Trade and Industry Secretary, is expected to announce the decision as early as today. He received the report of Sir Gordon Borrie, Director General of Fair Trading, yesterday and is not expected to delay an announcement long.

BA has now accepted that a reference is only a long-shot and it is preparing for head-on battle with SAS over BCal. Its own full bid for BCal is worth £141m in shares (at last night's closing price) or £119m in cash.

The entry of a formal offer from SAS would allow BA to improve its own cash terms, which it plans to close on December 16 unless a competing bid is launched. BA doubts that SAS will succeed in winning irrevocable acceptances from large shareholders such as Investors in Industry (which owns 41 per cent of BCal) before the bid is launched.

BA will continue to emphasise what it claims is the ultimate governmental control over the Scandinavian carrier. The SAS is a consortium created by Swedish, Danish and Norwegian companies, each half owned by government and private investors.

However, the stake held by the Bank of Denmark, the nominally independent central bank, is included among the private investors, a designation challenged by BA.

Christian Salvesen in German buy

Christian Salvesen, foods distribution group which today announces its interim results, yesterday concluded negotiations to buy 75 per cent of Unilever's frozen food distribution company in Germany for DM40m (£13.4m).

A subsidiary of Unilever's food manufacturing company, Langnese Iglo, the new company, will be called Christian Salvensen GmbH. No details of turnover or profitability are available.

The company will distribute more than 170,000 tonnes of fresh products a year and will provide a distribution service from 11 regional centres.

Millward Brown up 20%

Millward Brown, USM-quoted market research agency, increased pre-tax profits by 20 per cent from £708,000 to £851,000 on turnover up from £4.47m to £7.42m for the six months to September 30, 1987.

An unchanged interim dividend of 1.25p was declared. Earnings per 10p share worked out at 7.7p (7.3p) after tax of £314,000 (£268,000).

The directors said they remained confident that the company had strong opportunities for growth, both at home and overseas and believed the current year would produce a satisfactory result.

They said that factors contributing to lower margins in the UK included pressure on executive salaries, the cost of investigating European opportunities and the setting up of a joint venture company.

Although the US subsidiary Ad Factors contributed £117,000 pre-tax profit over the period, the real benefits would begin to show in the second half.

Wm Morris loss midterm

William Morris Fine Arts reported a pre-tax loss of £538,000 in the six months to the end of June 1987 against a profit of £194,000 last time and a second half loss the previous year of £967,000. Turnover was down at £2.95m compared with £4.67m.

After an extraordinary credit of £972,000 (£73,000 debit), from the sale of the Morris Singer foundry, earnings per 20p share for this USM-quoted company came out at 1.3p (0.39p).

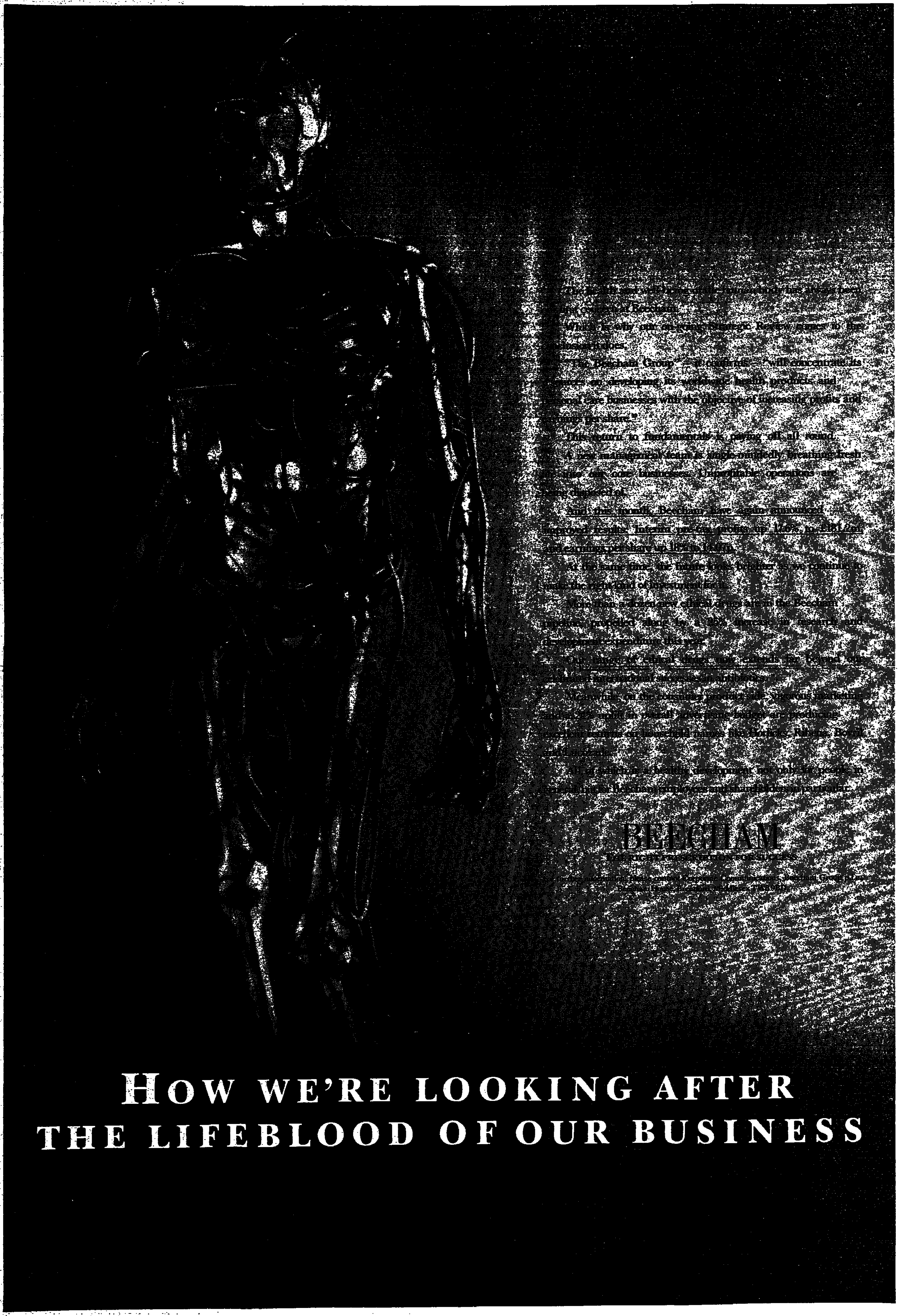
The company said that the wallpaper business had been marginally profitable at the trading level in the third quarter but was not sufficient to cover interest charges.

Berry profits leap

Net asset value of **Berry Trust** expanded by 22 per cent to 360.3p per share as at end-August compared with a corresponding value of 296.2p a year ago.

Referring to the recent stock market crash, the directors stated that the trust's assets stood at 281p at November 25 and that the reduction in value would have been greater but for the increased liquidity build up in recent months.

Taxable profits for the 12 months to August rose some 94 per cent to £1.98m (£1.02m). After tax of £500,956 (£335,151), earnings per share worked through at 4.66p (2.15p) on a diluted basis. The single dividend for the year is raised to 3.95p (1.1p).


BEECHAM
HOW WE'RE LOOKING AFTER
THE LIFEBLOOD OF OUR BUSINESS

Oil recovery stems Calor's drop

BY LUCY KELLAWAY

Calor Gas yesterday blamed a mild spring and autumn for a fall in interim profits to £17.5m, compared to £18.6m in the six months ended September 30 1986.

The result masks a strong recovery in profits from the group's oil subsidiary, Century Power and Light. Boosted by the recovery in the oil price it increased its contribution more than ten fold to £7m (£0.8m).

As most of the profit was made during the winter, first half results were of limited use in gauging progress for the year as a whole, said Sir Dermot de Trafford, chairman.

Unless the winter was exceptionally mild, however, he expected an increase in both profits and earnings.

Despite lower volumes, which depressed LPG profits to £10.5m from £16.3m, the company said underlying trends were encouraging. Margins were being maintained, and market share gained both in "piped in" gas systems, and sales of appliances. Sales were also rising in commercial and industrial sectors.

In its oil division, Calor said it was looking at ways of benefiting from its stake in Century.

Attributable profit fell to £9.2m from £12.5m. The reduction was caused by a larger share for the minnority holder, and a higher tax charge.

The company announced a first dividend since it was split up from its parent, Imperial Continental Gas, of 5.5p.

●comment

If Calor's shareholders are still smoldering over the board's rejection of Burmah's cash bid just two weeks before Black Monday, these results should act as a balm. Last year's repeated assertions from the company that the LPG business was not ex-growth, and that margins would not come thumping down again with any rise in the oil price, are being bourne out. Indeed, other downstream oil companies which are suffering from higher crude prices must envy Calor its post-oil shock profitability, ensured by the glut of LPG on the market and the flexibility gained by its new storage facilities at Killingholme. Both factors should limit any damage from the recent rise in prices caused by the closure of the Sullom Voe terminal. Assuming earnings this year of about £50m, Calor is on a small premium to the market, justified by its unusual combination of defensive merit and speculative sparkle. The company benefits from a low dollar, and almost all its sales are to UK consumers whose need for warmth is little affected by the health or otherwise of the stock market. As SHV has already demonstrated to the world that it is not happy with its 29.9 per cent stake, Calor's future ownership is still far from settled.

Atkins Bros. advances 25%

Atkins Brothers (Hosiery), maker and distributor of hosiery and knitwear and electronically-controlled display systems, lifted pre-tax profits by 25 per cent on turnover down by almost £1m in the six months to September 30.

Profits moved up from £458,000 to £575,000, benefiting from the absence of last time's £97,000 exceptional debit and a cut in interest payable from £111,000 to £46,000. Turnover dropped from £10.24m to £9.28m.

The directors declared an interim dividend of 3p - up from 2.2p - to be paid from higher earnings per share of 9.8p (7.51p). Tax took £202,000 (£150,000).

The chairman said that textile profits overall were down on last year, reflecting in part a difficult period in the leisurewear division while reorganisation was taking place following the withdrawal from Cut & Sewn Knitwear at the end of March. The dyehouse also had a difficult period.

The cut in turnover refelected the loss of £1.9m sales of the knitwear division and the withdrawal from Cut & Sewn. However, turnover in the continuing textile operations was up 12 per cent. The electronics companies, Cartner and Textlite (UK), both boosted turnover by 24 per cent.

Atkins sold its Textlite Advertising and its minority interest in Orbital Data Systems and the disposals were reflected in the £10,000 extraordinary credits.

The chairman said that there was a good order book both in textiles and electronics operations. Atkins had decided to sell Textlite (UK) to enable it to concentrate on developing Cartner Engineering and take advantage of its current good order book.

Graham Motor lifts profits to over £1m

Graham Motor Group, which came to the USM in July, lifted its interim pre-tax profits from £892,000 to £1.1m, and is paying an interim dividend of 1.25p.

The group is involved with car retailing, fleet sales and contract hire. Turnover for the six months ended September 30 1987 amounted to nearly £33m (£26.54m).

The directors reiterated their confidence that there was considerable potential for the group to build upon its position as a major motor vehicle distributor in the north west.

Earnings for the half year came to 7.46p (6.59p).

Cape Industries doubles profits to £4.7m midway

Cape Industries, maker of buildings products and provider of industrial services, doubled taxable profits to £4.68m over the half year to end-September on turnover up £10m at £74.15m.

After tax of £425,000 (£233,000) earnings per share rose from 5.5p to 8.7p on a basic basis and from 3.9p to 7.9p on a fully diluted basis. The interim dividend is being stepped up by 0.5p to 1.5p.

Profit contributions from building products rose to £4.67m

Country and New Town in loss

Country and New Town Properties incurred losses of £2.68m in the six months to July 31 1987 compared with pre-tax profits of £1.26m in the corresponding period last year.

The directors, he said, were currently reviewing the strategy for the group's future development. That would include the disposal, in an orderly manner, of the majority of the UK provincial portfolio and properties in other geographic areas where continued presence was not envisaged. The interim is unchanged at 0.7p net.

Substantial rise by Logitek in first half

Substantial progress has been achieved by **Logitek**, distributor of micro comoputers and peripherals, in the half year to September 30 with pre-tax profits rising £399,000 to £892,000 on turnover which was up from £5.36m to £9.35m.

Operating profit for the period was £876,000 (£495,000), net interest receivable amounted to £16,000 (£2,000 payable) and tax to £312,000 (£176,000). Earnings per share were 5p against 3.53p and there is an interim dividend of 0.9p (nil) per 5p share.

The directors said that they believed the company was well positioned to take advantage of the markets for its products and services which were all forecast to grow substantially. It was taking steps to achieve a better balance between its distribution and corporate sales channels to increase the relative revenue contribution from the technical services division.

Yearlings at 9 1/16

The interest rate for this week's issue of local authority bonds is 9 1/16 per cent, down 1/16 of a percentage point from last week, and compared with 11 1/16 per cent a year ago. The bonds are issued at par and redeemable on December 7 1988.

A full list of issues will be published in tomorrow's edition.

All-round growth lifts Leeds to £3.6m

Leeds Group, textiles, leasing and motor insurance, maintained its progress during the second six months of 1986/87 and pre-tax profits for the full year to end September emerge 49 per cent up, from £2.37m to £3.55m following the 44 per cent improvement made at the half way stage.

After tax of £1.27m (£902,000) earnings per share are up from an adjusted 16.4p to 24.8p. As forecast the final dividend is held at 4p on the capital as increased by the one-for-five scrip issue to make a total of 6.25p compared with the equivalent of 5.2p.

Group turnover last year rose from £14.16m to £22.18m. Each of the four textiles companies achieved record sales and profits, and have laid plans for further growth in the coming year, said the directors.

Monks & Crane rises past £1m

Monks & Crane, USM-quoted distributor of industrial consumables, engineers' tools, safety equipment and protective clothing, took its taxable profits past the £1m mark in the six months to September 30 and said that with its industrial tools and fixings divisions buoyant it looked for an excellent year-end result.

It lifted profits from £812,000 to £1.01m on turnover up from £13.74m to £17.19m. The directors lifted the interim dividend from 1.1p to 1.2p to be paid from earnings per 10p share of 4.8p (4.2p).

Mr Albert Spacie, chairman, that since the February acquisition of Sarjents Tools Stores the industrial content of their sales had shown significant growth.

BAA corporate strategy post

Mr Peter Gent joins BAA on January 1 as head of corporate strategy. He is currently group controller of corporate planning and development for the Beecham Group. **Mr Michael Brooker**, until recently the managing director of Caledonian Hotel Holdings, has joined BAA and is responsible for hotel development. British Airports Services, a subsidiary of BAA, has appointed **Mr Roger Kitley** as international director from December 7. He is director of operations for Fluor Daniel.

★

CAMPBELL'S UK has made the following appointments: **Mr Derrick H. Cockman**, finance director, **Mr John S. Jesky**, deputy managing director-development, UK and frozen foods Europe, **Mr David A. Page**, operations and human resources director, and **Mr Michael Tretheway**, sales and marketing director.

★

HOWDEN GROUP has appointed **Mr K.W.M. Johnsen** its chairman. He has been chief executive of Howden Group South Africa and Howden Airdynamics Group. He was appointed group managing director on May 1 and will continue to hold that post. **Mr J.D.H.Hume** ceases to be chairman of the company, but remains a non-executive director.

Mr Jim Stretton, newly appointed deputy chief executive of Standard Life Assurance Company.

Mr A.D. Shedden, deputy chief executive of STANDARD LIFE, is to retire on March 31. The new deputy chief executive will be **Mr J. Stretton**, who is currently general manager (operations). Other executive apoitnments include **Mr D.M. Simpson**, chief investment manager, who becomes general manager (investment) and secretary, and **Mr A.M. Crombie**, assistant general manager operations, who becomes general manager operations. Both appointments take effect on April 1.

Reorganisation at Hill Samuel

Further board changes at HILL SAMUEL following its acquisition by the Trustee Savings Bank include: **Mr W.N. Bowen** (chief executive, Hill Samuel Investment Management Group); **Mr K. Daniels** (chief executive, Noble Lowndes & partners); **Mr H. Donaldson** (chief executive, Hill Samuel & Co.); **Mr G.R.H. Kitson** (chief executive, Hill Samuel Investment Services Group); and **Mr M.J. Steele** (chief executive designate, Wescol International Marine services); all join Hill Samuel Group board. **Mr D.J. Davies**, deputy chairman and chief executive of the group, has been appointed chairman of all the following subsidiaries except Wescol International Marine Services, where he becomes chairman on March 31 when **Mr J.M. Toogood** retires. **Mr D.C. Mootham** has joined the Wescol board. At Hill Samuel & Co., Mr Davies becomes joint chairman with **Sir Richard Lloyd**, and **Mr D. Backs** becomes deputy chairman. At Hill Samuel Investment Management Group, Mr Bowen becomes deputy chairman and Mr Mootham joins the board. At Hill Samuel Investment Services Group, Mr Kitson is appointed deputy chairman, and **Mr F.R. Wales** deputy chief executive. Mr Daniels has been appointed deputy chairman and **Sir Robert Clark**, group chairman, has resigned from the board of Noble Lowndes & Partners.

Mr Colin T. Preston has joined BRADSTOCK BLUNT (SCOTLAND) as a director. **Mr Timothy P. Culverhouse** and **Mr Stephen W. Calcroft** have been appointed directors of Bradstock Blunt (Northern). **Mr Nicholas I O'Farrell** will be appointed an associate director when the company opens its new branch office in Cambridge early in January.

★

Mr Jim March has been appointed group financial controller of BUCKLEY & BLAND, Stockport. He also has responsibility for the financial function of Donald Kendall & Sons and Lee, Nightingale & Kendall, both of Liverpool. Mr March was formerly with Parnell Kerr Forster and the Rockley Group in Barbados.

★

Mr A.Sinclair has resigned as finance director of WYKO GROUP, but will remain a consultant. **Mr J. Ashman** has assumed the responsibilities of financial director in addition to his present duties as company secretary.

★

The YORK TRUST GROUP has appointed three directors: **Mr Brian Goldstein, Mr Donald Pell** and **Mr Keith Mellors.** Mr Goldstein and Mr Pell will be joining the board of Richards, Longstaff. Mr Goldstein, who was marketing director of Prudential Holborn, will be joining Richards, Longstaff as chief executive. Mr Pell was previously on the board of Allied Dunbar. Mr Mellors leaves Richards, Longstaff to become finance director of York Trust Group.

★

Mr Joseph Pillai has been appointed finance director of NAD ELECTRONICS, a subsidiary of NAD Electronics Inc, US.

★

FENCHURCH INSURANCE BROKERS has appointed **Mr Alan Claverhouse** managing director of Fenchurch Life and Pensions Consultants. He will also be appointed to the board of Fenchurch Insurance Brokers.

★

BRITISH SATELLITE BRADCASTING has appointed **Mr Graham Grist** as managing director (operations and finance). Mr Grist joined BSB in March 1987 as finance and commercial director.

★

Mr John Davies, currently head of group marketing at Abbey Life Group, becomes personal sector marketing director of BARCLAYS BANK early in the New Year. He will be responsible for the bank's marketing activities to its seven million personal customers, and all the UK bank's advertising.

★

Mr C.F.Cairns, managing director of Brian Morton and Co., has been appointed to the main board of HALIFAX ESTATE AGENCIES, holding company of Halifax Building Society. The Halifax took over Brian Morton last February.

★

Mr Alick Buchanan-Smith, former Energy Minister, has been appointed to the board of DAVY OFFSHORE as a non-executive director.

★

Mr Martin Lusby has been appointed to the main board of EMAP. He will continue as chief executive of the newspaper division.

★

COXMOORE has appointed **Mr Richard C.I. Bate** as group managing director. He was managing director of Wilkinson Sword. **Mr Michael P. Renton**, previously chairman and managing director, remains executive chairman of the group. **Mr G.E. Szymborski** has resigned.

★

Sir Michael Sandberg has become a director of EUROMONEY PUBLICATIONS. He recently retired as chairman of the Hongkong and Shanghai Banking Corporation.

★

Mr John Newgas has been appointed design and colour director, and **Mr Charles Newgas** becomes marketing director of ALBION MANUFACTURING COMPANY, Britain's largest maker of tassels.

★

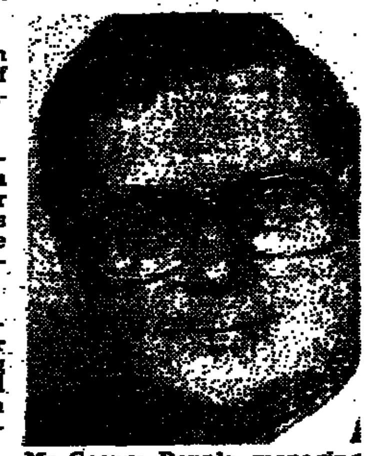
At UNISYS, Livingston, **Mr David Brain**, formerly director of development, becomes vice-president and general manager for distributed document processing products; he is succeeded by **Mr Patrick Phillips**, who was on group development staff in Detroit.

★

RYAN INTERNATIONAL, Cardiff, has appointed **Mr Frank Jackson** to the new post of group general manager. He will continue as company secretary.

★

Mr Steve Menzies has been appointed finance director of MARCONI RADAR SYSTEMS. He was financial director of Marconi International Marine. **Mr John Winstanley** becomes director, airspace business, with particular responsibility for the airspace control division. He was a director of Cambridge Instruments.



Mr George Dennis, managing director, TSB Investment Management.

Mr George J.J. Dennis, who was director, securities investment, at POSTEL, has left to become managing director of TSB INVESTMENT MANAGEMENT. **Mr Andrew Threadgold**, PosTel's chief executive, will combine his role with that of, director of securities investment. He will be assisted by two deputy directors, **Mr Christopher Dreyfus** for overseas equities, and **Mr John Stubbs**, for UK equities. PosTel is the investment arm of the superannuation schemes of the Post Office and British Telecom.

★

Mr Graeme Christie has been appointed marketing director of RUSSELL HOBBS TOWER. He joins from IDV where he was new product development and research marketing manager. **Mr David Ramsay** joins the board as supplies director from Mars Electronics where he was head of purchasing.

★

Mr Douglas Ferrans has been appointed investment director at SCOTTISH AMICABLE INVESTMENT MANAGERS.

Exhibitions

Legal Notices

IN THE HIGH COURT OF JUSTICE

No 1160 of 1987

IN BANKRUPTCY

RE: GERARD RAYMOND LANCIAULT
PETITIONING CREDITOR, THE FIRST NATIONAL BANK OF BOSTON

TO: GERARD RAYMOND LANCIAULT whose present place of residence is unknown. Occupation unknown, and lately residing at Reeds Farm, Mill Lane, Stokechurch, Buckinghamshire.

TAKE NOTICE that a Bankruptcy Petition has been presented against you in this Court by the First National Bank of Boston whose registered office is situated at Bank of Boston House, 39 Victoria Street, London SW1H 0ED and the Court has ordered that publication in the Financial Times and the Wall Street Journal of the presentation of such petition and the time and place fixed for the hearing of the petition shall be deemed to be good and sufficient service of the said petition upon you 7 days after completing and publication as aforesaid.

The said Petition will be heard at this Court on-

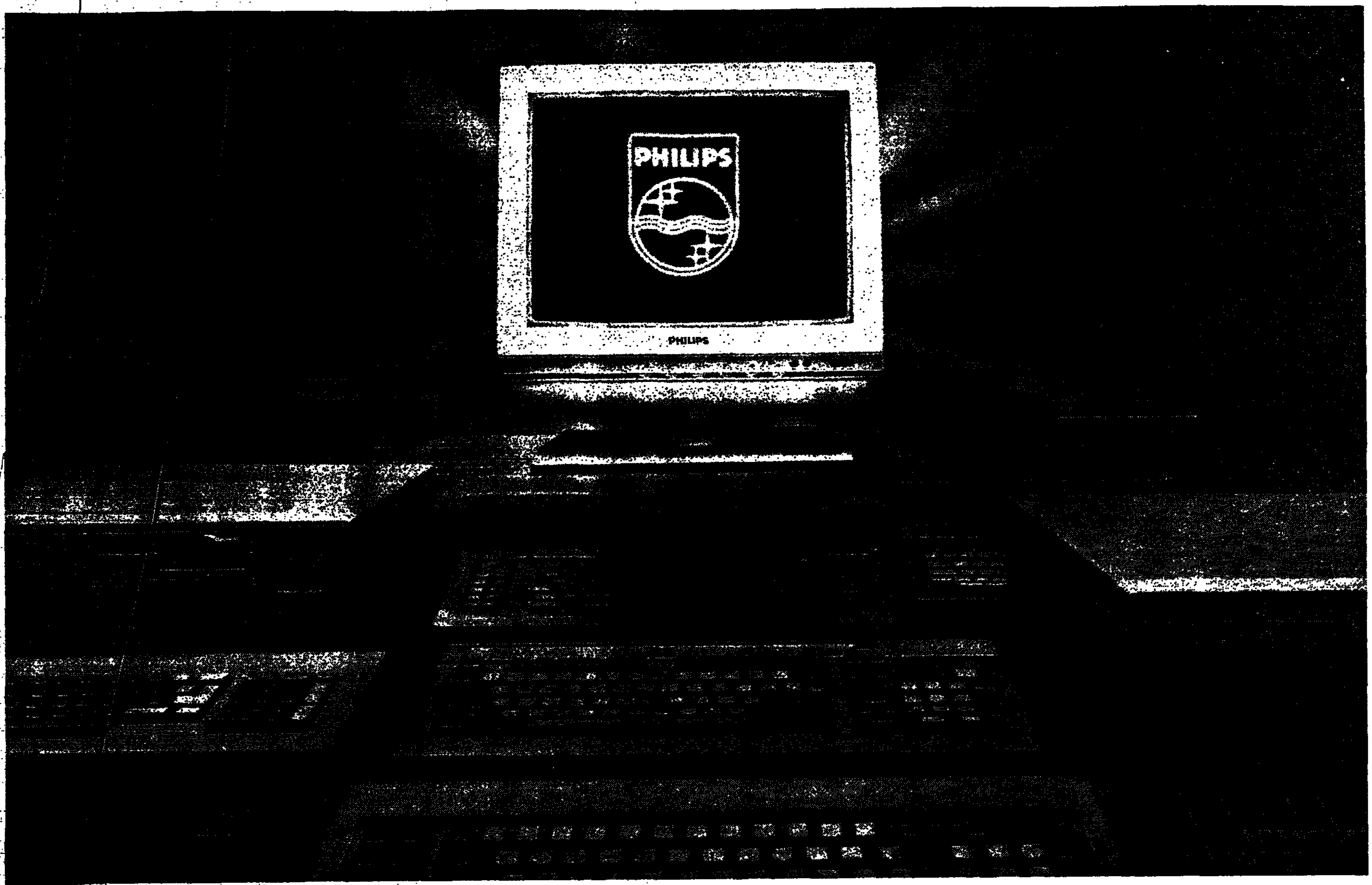
Date - 22nd January 1988
Time - 11.30 hours
Place - Thomas More Building,
The Royal Courts of Justice,
Strand, London WC2

IMPORTANT

If you do not attend the hearing of the Petition the Court may make a Bankruptcy Order against you in your absence. The Petition can be inspected by you on application at this Court, whose offices are at Thomas More Building, The Royal Courts Of Justice, Strand, London WC2.

DATED the 30th day of November 1987

PERSONAL MONITOR



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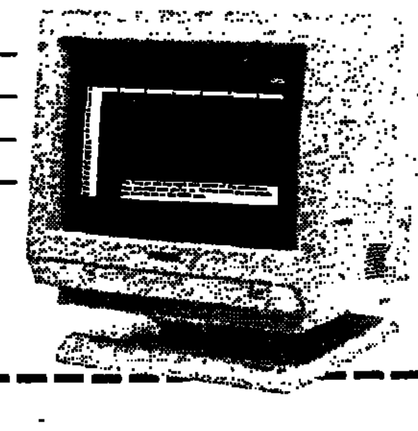


FT 12/87

PHILIPS

PHILIPS

Iran signals trouble for Opec over dollar decline

BY JOAN WUCHER KING

IRANIAN OIL Minister Mr Gholamreza Aqazadeh yesterday indicated his country would not accept any Opec agreement which did not take into account the decline in the value of the dollar.

He said, in a statement attacking Saudi Arabia and its Gulf allies, that the Opec meeting next week would be difficult. Opec was being doubly hit by declining oil prices and the dollar.

Ministers from Opec's 13 member-states will meet in Geneva on December 9 to set next year's production quotas.

Iran will propose a $2-a-barrel price rise and redenomination of oil prices into a basket currency. Failing this it will seek yearly price rises proportionate to the dollar's decline in value. New monitoring procedures will also be presented.

Oil prices have slipped between $3 and $4 a barrel since the summer, largely in response to overproduction by Opec members. Production is running about 2.3m barels per day above Opec's agreed production ceiling of 16.6m b/d.

Iran blames overproduction by Saudi Arabia and its so-called allies, a reference to Kuwait and the United ASrab Emirates, after the troubles at Mecca last July involving Iranian pilgrims which resulted in more thanr 400 deaths. The incident soured relations between Tehran and Riyad and halted a period of closer co-operation on Opec matters.

The Opec meeting will consider raising Iraq's quota to match Iran's to try to bring Baghdad back into line with Opec production policy. The Iraqi oil minister, Mr Issam Abdul-Rahim, was in Riyad last week for talks. He is in Kuwait for a meeting of the Organisation of Arab Petroleum Exporting Countries.

World coal price 'too low'

BY LUCY KELLAWAY

COAL'S INTERNATIONAL price was too low and not sustainable, Mr Malcolm Edwards, British Coal commercial director, said yesterday when addressing the European Committee of Energy Reserch and Technology.

He warned against closing deep mines in Europe because of present low prices, saying closures could bring on another shortage of the kind seen in the 1960s.

He said that though European producers should not be protected from market forces, any major changes to the industry should be made on the basis of real and sustainable coal prices.

He said there was a need for an economic reference price for European Copmmunity coal which would take into account true international costs, forecast increases in European coal demand, exchange rates and so on.

When the international price was below the economic price governments should ensure custom for efficient local mines, perhaps through long-term deals with the electricity-supply industry.

Large international producers of coal which had brought new mines onstream on the basis of over-optimistic demand projections in the early-1970s were depressing prices in the hope of sqeezing out competition.

These mines accounted for about 60m tonnes of the 133m tonnes of internationally-traded steam-coal. They were selling at prices which only covered low variable costs.

"Imported coal connot replace large parts of indigenous Community coal at today's international coal prices. It must rest firmly on the economics of the sustainable long-term prices for international coal to secure the lowest continuing prices for energy," he said.

Tin industry 'should settle disputes'

BY KENNETH GOODING, MINING CORRESPONDENT

THE TIME had come for warring factions within the tin industry to settle their differences out of court and to allow conditions to return quickly to normality, a conference was told yesterday.

Mrs Gill Burke, an international metals consultant, said the court cases threatened since the collapse of the International Tin Council two years ago could take a very long time to complete.

She said that should the tin-producing countries lose in court there was no guarantee they would pay any damages which might be awarded.

Mrs Burke told a conference in London organised by Tin International magazine: "Yet at the end of the day all parties will have to begin again to do business together.

"It might be a more realistic but no less honourable strategy to recognise that the time is approaching for a political - with a small 'p'- rather than a judicial solution to the problem of the ITC debts."

She was among several delegates who gave a distinctly lukewarm welcome to the news that the London Metal Exchange might soon restart trading in tin.

Mrs Burke said the vacuum left by the suspension of LME trading was filled quite quickly.

She suggested that by 1985 speculation in metals was the main activity of the LME. Excessive speculation encouraged severe price volatility which did not benefit miners or tin-consumers.

Mr Melvyn Frost, marketing manager of Capper Pass, said the smelters had learnt to deal directly with consumers since 1985 "which means that far less physical tin is likely to be traded across the ring than has been the case in previous years."

There was the risk, therefore, that the LME price would not be truly representative and would not be accepted within the industry.

Mr William Murphy, an executive director of Renison Goldfields Consolidated, said direct sales from producer to consumer had a stabilising influence on the price of tin but direct sales were possible only between large- and medium-sized companies. There would always be a need for a merchant trade.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,270-2,320 (2,250-2,300).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.40-4.65 (same).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.90-3.00 (same), sticks 2.90-3.00 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.50-6.70 (6.45-6.70).

MERCURY; European free market, min 99.99 per cent, $ per flask, in warehouse, 275-290 (290-300).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.83-2.90 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 7.05-7.25 (6.80-7.05).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 48-58 (47-57).

VANADIUM: European free market min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif 2.80-2.90 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.75 (same).

Chinarationing

NATIONWIDE SUGAR-rationing in China, introduced gradually since October and made public today, could last as long as a year, a foreign diplomat said, Reuter reports from Peking.

US silver mining may double by 1990

By Nancy Dunne in Washington

US SILVER-mining activity, rebounding from a decline last year, is expected to double production between 1986 and 1990 as a result of increased demand and the firming market.

According to projections from the Silver Institute in Washington DC the US will by 1989 have jumped from its position as the world's fifth-largest silver producer to be second-largest.

Silver output is expected to rise by 20 per cent among free-world producers, from last year to 1990. The greatest part of the increase was expected this year, a jump of 9 per cent being predicted.

The institute makes its forecasts on the basis of estimates from 235 mining entities all over the world.

It projects the ranking of the world's five top silver-producers for this year as: Mexico 77.1m troy ounces; Peru 62.5m troy ounces; Soviet Union 54.6m troy ounces; Canada 49.4m troy ounces; US 42.2m troy ounces.

Gold production is also rising around the world. According to Washington's Gold Institute, free-world gold production will leap by 20 per cent between last year and 1990, with the largest part of the rise, 7 per cent, expected next year.

In the US gold production is expected to double, nearly, from 3.4m ounces last year to 6.1m in 1990.

South Africa is not expected to show large production gains but Canadian output is expected to jump from 3.3m ounces last year to 5.4m in 1990, with similar increases expected for Australia.

The Soviet Union is expected to maintain second place in gold production over the next five years, with output rising from 10m ounces to 12.1m.

In the same period Soviet silver production is expected to rise from 51.4m troy ounces to 54m troy ounces.

Polish silver producion is expected to fall over the five years from 51.4m troy ounces to 25.1m troy ounces.

LME seeks SIB recognition

THE London Metal Exchange has become the first exchange to apply formally to the British Securities and Investment Board to become a Recognised Investment Exchange under the terms of the Financial Services Act 1986.

US markets

WE APOLOGISE to readers for the omission of the New York and Chicago commodities tables from our early edition yesterday. This was due to a computer fault.

Jordan Phosphates aims for consolidation

Michael Field on a £109m to £164m expansion programme

JORDAN PHOSPHATES Mines, the company which is the Kingdom of Jordan's biggest industry and chief earner of foreign exchange, is in the early stages of a $200m to $300m (£109.5m to £164.3m) expansion programme.

The country is the world's fifth-biggest producer of phosphate rock after the US, the Soviet Union, Morocco and China, and third-biggest exporter after Morocco and the US. The expansion programme is intended to consolidate its position and to make the industry more profitable.

In recent years the company has been producing from two mines, Al Hassa and Al Abiad, in the centre of the country. About 85 per cent of output, 6.8m tonnes this year, is exported; the rest is supplied to a fertiliser plant at Aqaba on the Red Sea.

This plant became part of the company last year when it bought Jordan Fertilisers Industry, the company which had owned and run the plant since it was commissioned in 1983. The plant, up to the takeover, had accumulated losses of nearly $140m.

Now, Jordan Phosphates plans are to expand the fertiliser plant and make it profitable, and to develop a huge, new, low-cost phosphates mine at Shidieh.

Two years ago it shut the Russeifa mine, a small, poor source of rock in the country's north, near Amman, which had been weakening its otherwise good profits. It intends, in the long run, to close Al Hassa and Al Abiad, too.

To fund expansion it is increasing its capital this month, from Jordanian Dinars 20m ($58m) to JD30m.

The main projects in its programme are:

● **Development of Shidieh.** This mine, in the south of the country near Aquaba port, has proven reserves of 1.2bn tonnes and possible reserves of 4bn to 5bn tonnes. This compares with 200m tonnes to 300m tonnes proven at Al Hassa and Al Abiad.

The Shidieh reserves - unlike reserves elsewhere in Jordan - have the advantage of being concentrated at a single location and a single depth, and are covered by a relatively small amount of overburden. The ratio of phosphate to overburden at Shidieh is 1:3, compared to 1:10 elsewhere.

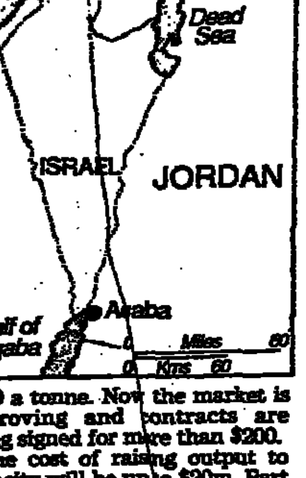
The cost of the work at Shidieh by the time it is completed in 1990 will be $200m: so far, the company has spent relatively little of this. Finance will come from the World Bank which has promised $31m and suppliers' credits.

It is intended that Shidieh will be more mechanised than the other mines. One big walking dragline is on order from Ransoms & Rapier of Britain and tenders are out for two more.

Production should begin late next year and should be running at 3m tonnes a year by 1990. It is expected that Shadieh will be the only mine producing in Jordan by the year 2000.

● **Improvement of fertiliser plant operations.** The fertiliser plant at Aqaba has lost money, partly because fertiliser prices have been depressed in the mid-1980s and partly because it has run at only 65 per cent to 75 per cent of capacity.

In the past 12 months its average costs per tonne of output have been cut from $250 to $200 but early this year its fertiliser was still fetching only $160 to $180 a tonne. Now the market is improving and contracts are being signed for more than $200.



The cost of raising output to capacity will be up to $20m. Part of this may be borne by the French main contractor for the plant, which is involved in a dispute over the low production of the phosphoric acid unit.

If and when the plant reaches capacity it should produce, annually, 415,000 tonnes of phosphoric acid, 720,000 tonnes of diammonium phosphate and 22,000 tonnes of aluminium fluoride.

● **Phosphate rock de-dusting project.** To help smooth the fertiliser plant's operation the company intends to separate phosphate grit from dust at the mines. The grit will be exported.

The dust, in wet form, will be fed to the fertiliser plant which will save it money on grinding.

● **Expansion of phosphoric acid production.** The company is studying two schemes for new phosphoric-acid lines, both of which would involve it in joint-ventures with foreign companies.

One study, at an advanced stage, is with an Indian company. It would involve a plant taking 700,000 tonnes to 1m tonnes of rock a year.

The other, with a Russian organisation, is for a bigger plant which would take 1.5m tonnes to 2m tonnes of rock and would produce phosphoric and/or super-phosphoric acid.

The projects would be fed different types of rock and are not mutually exclusive.

● **Dicalcium phosphate project.** The company is studying a plant which will produce dicalcium phosphate, a mix which can be added to livestock feed.

The company's strategy is, in general, to process the increment in its phosphate rock output, but it will continue exporting rock at existing levels.

The reason is simply diversification and prudence: phosphate rock may not have the added value of fertiliser but it is sold under term contract rather than by the batch and its price tends to fluctuate less.

PHOSPHATE PRODUCTION AND USE (m tonnes a year)

		Rock exported	Delivered to fertiliser plant
1985		4.6	0.8
1986		5.2	0.9
1987	(est.)	5.7	1.1
1988	(aim)	6.5	1.3
1990	(aim)	6.5	2.5

UK forest products 'set to expand'

By James Buxton, Scottish Correspondent

BRITISH FOREST products are set to increase their share of the rapidly-growing home market over the next 12 years, the forestry industry says.

The UK's degree of self-sufficiency in forest products is set to rise from 12 per cent to between 16 per cent and 18 per cent by the year 2000, in spite of a rise of more than 30 per cent in demand for paper and board over the same period.

This is a conclusion in a study of the British forestry industry published yesterday by the Forestry Industry Committee of Great Britain, a body formed this year which unites timber-growers and processors, trade unions and universities.

The report is entitled Beyond 2000. It steers clear of many controversies raging over forestry, particularly over the planting of conifers in environmentally-sensitive areas of northern Scotland.

Instead it says that since 1984 there has been a renaissance in the British forest-products industry. Following a wave of closures at the start of the decade about £650m has been invested in new plants to make paper and board, and a further £400m-worth of investment is in the pipeline.

By 1989 Britain will have five large, integrated pulp-and-paper mills and seven major panel plants, most of them using the latest technology.

Although Britain will stay a relatively small producer by international standards, it will be able to compete aggressively against importers in market-sectors where quality, technological innovation and closeness to the market give it an advantage. The industry directly employs 43,000.

At the same time commercial softwood production from British forests will expand significantly over the next 15 years as forests planted 40 years to 50 years ago are harvested. The report expects the supply of British softwood to rise from its current level of 4.5m cu metres to 8.8m cu metres shortly after the year 2000.

As processing-plant demand rises the balance of supply and demand is likely to be tight.

The Forestry Industry Committee says an action programme is needed to increase the supply of hardwood timber. This will include encouraging farm woodlands and investigating short-rotation crops of trees.

As land comes out of agricultural production, forestry should be considered a prime commercial use of it in appropriate regions. The committee's plans envisage a general increase of afforestation in Britain.

The committee affirms the need for continued fiscal incentives to encourage tree-planting. It wants changes in the way applications for tree-planting are dealt with by the Forestry Commission and by local authorities.

It says there should be a long-term environmental strategy to balance the requirements of conservation and of industrial development.

CME delays gold options contract

By Deborah Hargreaves in Chicago

THE Chicago Mercantile Exchange has delayed the launch of its gold options contract, which was scheduled to proceed this week. In spite of this week's mailing by the exchange's marketing department inviting traders to come along for Thursday's launch, it has unceremoniously shelved plans to list the contract in the immediate future.

One reason for the delay is the illiquidity of the underlying futures contract, which trades little more than 200 to 300 contracts a day.

The exchange went to great lengths to try to attract interest in its new contract. This included introducting an incentive programme which paid $1 to each trader every time they used the CME's gold futures. However, traders have not been wooed away from New York's busy gold market.

The CME's board is expected to discuss the gold issue at a meeting today which could announce an incentive plan for the futures contract, to be introduced in tandem with gold options. However, a New York gold analyst said: "You don't win hearts and pocketbooks with games."

New York's Comex remains the unrivalled leader in gold and silver futures in spite of efforts by both the CME and the Chicago Board of Trade to entice away business for their own metals contracts.

The CBOT also has gold and silver options contracts on file with the Commodity Futures Trading Commission.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES remained near five-year lows in London yesterday as the International Cocoa Organisation continued talks on how to reintroduce the operation of its buffer stock. Market sentiment has been dampened by the view in the trade that the talks may not be successful, dealers said. Producing countries seem unable to present a united a united front to the consuming countries, especially on the key question of buffer stock intervention prices. On the London Metal Exchange the premium for cash metal (or backwardation) narrowed to £176.25 yesterday, compared with £209 on Monday. Analysts said sound fundamentals continued to fuel the protracted bull run although currency factors and weak equity markets were expected to induce further wide fluctuations.

SPOT MARKETS

Crude oil (per barrel FOB December)		+ or -
Dubai	$16.52-6.57z	–0.08
Brent Blend	$17.55-7.60	
W.T.I.(1 pm est)	$18.40-8.50z	–0.075

COCOA £/tonne

	Close	Previous	High/Low	
Dec	1062	1063	1071	1060
Mar	1099	1100	1106	1095
May	1119	1119	1125	1113
Jly	1139	1137	1146	1137
Sep	1158	1157	1165	1159
Dec	1180	1181	1188	1180
Mar	1204	1205	1212	1210

Turnover: 2917 (5228) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 30: 1426.08 (1448.30) .10 day average for December 1: 1439.08 (1439.75) .

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1231	1234	1242	1220
Mar	1258	1256	1264	1245
May	1276	1274	1284	1266
Jly	1290	1290	1298	1284
Sep	1306	1310	1316	1302
Nov	1320	1330	1330	1319

Turnover: 3325 (2672) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 30: Comp. daily 116.17 (—); 15 day average 116.13 (—).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	183.80	181.20	185.80	178.60
May	183.60	181.20	185.00	179.80
Aug	184.00	181.40	185.40	180.00
Oct	185.00	182.00	185.20	181.60
Dec	187.40	84.40	0	0
Mar	192.00	189.40	189.00	189.00

US MARKETS

THE PRECIOUS METALS came under pressure from a strengthening US dollar, reports Drexel Burnham Lambert. Silver, especially, fell on trade selling and commission house profit-taking, mainly at the highs, while platinum recovered on

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jan	18.48	18.51	18.54	18.34
Feb	18.31	18.34	18.39	18.17
Mar	18.25	18.30	18.32	18.13
Apr	18.26	18.26	18.26	18.10
May	18.21	18.22	18.22	18.10
Jun	18.17	18.16	18.17	18.06

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	13/0	605/2	614/4	602/4
Mar	11/4	613/2	622/4	610/2
May	16/2	619/4	627/0	614/4
Jul	17/0	619/6	629/0	616/4

هكذا من الأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks boost dollar

CONCERTED CENTRAL bank intervention helped to stop the rot in currency markets yesterday and the dollar finished above Monday's closing levels. Speculators entered the market early this morning prepared to push the dollar lower but attitudes were quickly modified as reports of official intervention filtered through. This prompted a rash of short covering.

Intervention by European central banks took advantage of a lull in the dollar's downward momentum. The latter had already started in the Far East. Speculators paused for breath ahead of tomorrow's meeting of the Bundesbank where dollar sentiment is likely to be influenced by whether or not there is a cut in the West German discount rate. A reduction had already been discounted to a large extent.

However some analysts suggested that the Bundesbank had so far been less than impressed by US efforts to implement their part of the Louvre accord.

Cuts in the budget deficit exist at present only on paper and early signs suggest that the path through Congress is going to be a little bumpy.

So while the dollar moved higher, sentiment still pointed towards a further downturn.

News of a 0.2 p.c. fall in US leading economic indicators in October compared with an unchanged figure for September was slightly better than expected but had little effect on trading.

The dollar closed at DM1.6490 up from DM1.6400 and Y132.95 compared with Y132.45. Elsewhere it rose to SFr1.3505 from SFr1.3450 and FFr5.6125 compared with FFr5.5800. On Bank of England figures, the dollar's exchange rate index rose from 94.4 to 95.0.

Sterling was placed within a straight jacket. Its performance against European currencies was severely restricted by the Bank of England's determination to defend the DM3.00 level. Consequently it was confined to a reciprocal of movements in the dollar.

The pound recovered from a low of $1.8040 to finish at $1.8195 but this this was still down from Monday's close of $1.8260. It was a little higher against the D-Mark at DM2.9975 from DM2.9950 and Y242.0 compared with Y241.75. Elsewhere it finished at SFr2.4575 from SFr2.4550 and FFr10.2125 *against FFr10.19.*

The pound's exchange rate index closed at 76.2 up from 76.1 at the opening but down from 76.4 on Monday.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6400. November average 1.7770. Exchange rate index 151.8 against 146.4 six months ago.

Intervention by the Bundesbank at yesterday's fixing in Frankfurt amounted to a nominal $5.1m as the dollar was fixed at DM1.6536 up from DM1.6354 on Monday.

However the Bundesbank had already been active in the open market with other central banks to underpin the dollar. The presence of central banks meant that most speculators were content to cover their short positions ahead of tomorrow's meeting of the Bundesbank central committee.

Despite the uncertainty caused by intervention, most traders retained a bearish view of the dollar.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 132.45. November average 135.30. Exchange rate index 230.6 against 220.1 six months ago.

Trading remained nervous in Tokyo. As the momentum of the dollar's renewed fall had started to slacken so speculators moved to cover their short dollar positions.

There was no change in sentiment, merely a pause for breath. The dollar closed at Y132.40 compared with Y132.25 in New York and Y132.45 in Tokyo on Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2088	+1.77	-	±1.5344
Danish Krone	7.85212	7.96232	+1.40	-	±1.6404
German D-Mark	2.05853	2.06289	+0.21	-	±1.0981
French Franc	6.90403	7.01460	+1.60	-	±1.3674
Dutch Guilder	2.31943	2.32082	+0.06	-	±1.5012
Irish Punt	0.768411	0.776682	+1.08	-	±1.6684
Italian Lira	1483.58	1521.40	+2.55	-	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec 1	Close	Previous Close
£ Spot	1.8140-1.8150	1.8265-1.8275
1 month	0.15-0.13pm	0.15-0.13pm
3 months	0.44-0.40pm	0.45-0.42pm
12 months	1.45-1.35pm	1.30-1.24pm

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

	Dec.1	Previous
8.30 am	76.1	76.2
9.00 am	76.1	76.3
10.00 am	75.9	76.2
11.00 am	76.1	76.3
Noon	76.0	76.3
1.00 pm	76.1	76.3
2.00 pm	76.1	76.3
3.00 pm	76.1	76.3
4.00 pm	76.2	76.3

CURRENCY RATES

Dec.1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.753330	0.688641
U.S Dollar	6½	1.36428	1.24782
Canadian $	8.75*	—	1.63614
Austrian Sch.	4	15.8570	14.5194
Belgian Franc	7¾	47.2382	43.2088
Danish Krone	7½	8.71582	7.96232
Deutsche Mark	3	2.25597	2.06289
Neth.Guilder	4½	2.53620	2.32082
French Franc	9½	7.66457	7.01460
Italian Lira	12¼	—	1521.40
Japanese Yen	2½	180.494	166.394
Norway Krone	8	8.79210	8.05857
Spanish Peseta	-	152.097	139.057
Swedish Krona	7½	8.19191	7.48254
Swiss Franc	3	1.84432	1.69017
Greek Drach.	20½	178.346	162.853
Irish Punt	-	—	0.776682

*CS/SDR rate for Nov.30 1.79692.

CURRENCY MOVEMENTS

Dec 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	76.2	-17.7
U.S Dollar	95.0	-11.1
Canadian Dollar	76.7	-11.5
Austrian Schilling	142.6	+11.0
Belgian Franc	76.7	-4.3
Danish Krone	94.3	+2.9
Deutsche Mark	151.9	+24.8
Swiss Franc	181.8	+26.2
Guilder	139.5	+16.0
French Franc	72.5	-18.6
Lira	47.6	-18.6
Yen	230.6	+72.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Dec 1	£	$
Argentina	7.8460-7.9410	4.3300-4.3800
Australia	2.5760-2.5790	1.4205-1.4215
Brazil	113.715-114.340	62.7550-63.0660
Finland	7.3595-7.3775	4.0615-4.0635
Greece	234.70-238.75	129.15-131.35
Hong Kong	14.0695-14.0865	7.7650-7.7680
Iran	123.00*	56.50*
Korea(Sth)	1447.95-1461.05	792.90-799.30
Kuwait	0.5010-0.5015	0.2765-0.2770
Luxembourg	62.90-63.00	34.55-34.65
Malaysia	4.5165-4.5280	2.4925-2.4940
Mexico	4258.20-4351.20	2350.00-2400.00
N. Zealand	2.7915-2.7965	1.5390-1.5415
Saudi Ar.	6.7900-6.7960	3.7495-3.7505
Singapore	3.6735-3.6810	2.0265-2.0280
S. Af (Cm)	3.5640-3.5780	1.9590-1.9625
S. Af (Fn)	5.3275-5.4895	2.9410-3.0305
Taiwan	53.65-53.95	29.40-29.50
U.A.E.	6.6505-6.6565	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Dec 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8040-1.8245	1.8190-1.8200	0.14-0.12cpm	0.86	0.49-0.45	1.03
Canada	2.3727-2.3921	2.3895-2.3905	0.03dis-0.07cpm	-0.25	0.04-0.16dis	-0.17
Netherlands	3.36½-3.38	3.37-3.38	1½-1¼cpm	4.44	3½-3¼pm	3.93
Belgium	62.57-63.00	62.90-63.00	14-7cpm	2.00	37-27pm	2.03
Denmark	11.52¾-11.58¾	11.57¼-11.58¼	¼-1⅞oredis	-1.10	2⅝-4⅛dis	-1.27
Ireland	1.1260-1.1299	1.1275-1.1285	0.03-0.04cdis	-0.37	0.04-0.13dis	-0.30
W. Germany	2.99-3.00½	2.99¼-3.00¼	1½-1¼pfpm	5.50	3½-3¼pm	4.92
Portugal	242.97-246.14	244.18-246.13	¼-1½cdis	-0.06	2¼-3¾dis	-0.05
Spain	201.65-202.62	202.15-202.62	90-125cdis	-6.37	260-300dis	-5.53
Italy	2202¾-2214	2213-2214	3-5½liredis	-2.30	12-18½dis	-2.76
Norway	11.62¾-11.68¾	11.66¼-11.67¼	6¾-7½oredis	-7.33	19¾-21oredis	-6.99
France	10.16¼-10.27¼	10.20¼-10.21¼	¼-¾cdis	-0.99	⅞-1¼dis	-0.37
Sweden	10.85-10.88¾	10.85¼-10.86¼	⅛ore-⅝oredis	-0.35	⅞-1⅜dis	-0.48
Japan	241-242¾	241½-242½	1-⅞ypm	1.88	2⅝-2½pm	4.34
Austria	21.06-21.19	21.16-21.19	8½-7½gropm	4.60	23¼-20¾pm	4.19
Switzerland	2.45¼-2.46¼	2.45¼-2.46¼	1¼-1⅛cpm	4.88	3-2⅞pm	4.68

Belgian rate is convertible francs. Financial franc 63.20-63.30. Six-month forward dollar 0.87-0.82cpm 12-month 1.43-1.33cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8040-1.8245	1.8190-1.8200	0.14-0.12cpm	0.86	0.49-0.45pm	1.03
Ireland†	1.6018-1.6125	1.6125-1.6135	0.10-0.05cpm	0.56	0.48-0.38pm	1.07
Canada	1.3090-1.3140	1.3130-1.3140	0.09-0.12cdis	-0.47	0.38-0.41dis	-1.20
Netherlands	1.8475-1.8635	1.8540-1.8550	0.57-0.54cpm	3.59	1.41-1.36pm	2.98
Belgium	34.38-34.67	34.55-34.65	5.00-2.00cpm	1.21	11.00-7.00pm	1.04
Denmark	6.33¾-6.39¾	6.36-6.36½	0.70-1.40oredis	-1.98	3.30-4.00dis	-2.29
W. Germany	1.6395-1.6570	1.6485-1.6495	0.65-0.62pfpm	4.60	1.69-1.64pm	4.02
Portugal	134.30-134.75	134.35-134.85	60-110cdis	-7.58	175-325dis	-7.43
Spain	110.80-111.70	110.95-111.05	0.60-80cdis	-7.54	170-210dis	-6.83
Italy	1211-1221	1216¼-1216¾	2.60-3.60liredis	-3.06	10.00-13.00dis	-3.78
Norway	6.40-6.45	6.41-6.41½	4.20-4.50oredis	-8.12	12.60-13.10dis	-8.00
France	5.58¾-5.63½	5.61-5.61½	0.55-0.70cdis	-1.34	1.70-2.05dis	-1.34
Sweden	5.96-6.00½	5.96½-5.97	0.45-0.65oredis	-1.10	2.00-2.40dis	-1.47
Japan	132.50-133.45	132.90-133.00	0.44-0.40ypm	3.78	1.16-1.11pm	3.41
Austria	11.55¼-11.65½	11.59½-11.60	1.80-3.00gropm	3.62	10.50-8.50pm	3.27
Switzerland	1.3455-1.3565	1.3500-1.3510	0.48-0.45cpm	4.15	1.30-1.25pm	3.77

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.70-34.80.

EURO-CURRENCY INTEREST RATES

Dec.1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅛-8⅞	9⅛-8⅞	9-8⅞	8⅞-8⅞	9-8⅞	9⅛-9
US Dollar	7-6⅞	7-6⅞	7-6⅞	7⅞-7⅞	7⅞-7⅞	8⅛-7⅞
Can. Dollar	8¼-8	8¼-8	8⅞-8⅞	8⅞-8⅞	9⅛-8⅞	9⅛-9⅛
D. Guilder	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
Sw. Franc	1½-1¼	1⅝-1⅜	4-3⅞	4-3⅞	4-3⅞	4⅛-3⅞
Deutschmark	3⅝-3⅜	3¼-3	3⅝-3⅜	3⅝-3⅜	3⅝-3⅜	4-3⅞
Fr. Franc	8⅝-8⅜	8⅝-8⅜	9⅛-8⅞	9⅛-8⅞	9⅛-8⅞	9⅛-9⅛
Italian Lira	11¼-9¼	10¼-9¼	10⅛-10⅛	11⅛-10⅛	11⅛-11⅛	12-11⅛
B. Fr. (Fin)	6⅝-6½	6⅝-6⅝	6⅞-6⅝	6⅞-6⅞	7-6⅞	7⅛-7
B. Fr. (Con.)	6⅝-6½	6⅝-6½	6⅝-6½	7⅛-6⅞	7⅛-6⅞	7⅛-6⅞
Yen	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛
D. Krone	9⅞-9⅞	10⅛-9⅞	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
Asian $Sing.	6⅞-6⅞	6⅞-6⅞	8-7⅞	7⅞-7⅞	7⅞-7⅞	8⅛-8

Long term Eurodollars: two years 8⅞-8⅝ per cent; three years 9⅛-8⅞ per cent; four years 9⅜-9⅛ per cent; five years N/A per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept. 22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.820	2.998	242.0	10.21	2.458	3.375	2214	2.390	62.95
$	0.550	1	1.647	133.0	5.613	1.351	1.855	1217	1.314	34.60
DM	0.334	0.607	1	80.73	3.407	0.828	1.126	738.4	0.797	21.00
YEN	4.132	7.519	12.39	1000	42.20	10.15	13.95	9147	9.876	260.1
F Fr.	0.979	1.782	2.935	237.0	10	2.406	3.305	2167	2.340	61.64
S Fr.	0.407	0.740	1.220	98.47	4.156	1	1.373	900.7	0.973	25.62
H Fl.	0.296	0.539	0.888	71.70	3.026	0.728	1	655.9	0.708	18.65
Lira	0.452	0.822	1.354	109.3	4.614	1.110	1.525	1000	1.080	28.44
C $	0.418	0.761	1.254	101.3	4.273	1.028	1.412	926.2	1	26.34
B Fr.	1.589	2.890	4.762	384.4	16.22	3.904	5.361	3516	3.797	100

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts lose ground

LONG TERM gilt futures finished lower in the Liffe market yesterday. At times of uncertainty, investors tend to focus on short dated instruments. These were marked up yesterday as a result but sectors such as long dated gilts suffered under the dual blow of a sharpening yield curve and question marks about inflation.

Consequently the desire to keep cash at the short end, thereby minimising the risk, meant that long term gilt futures lost ground. In relatively low volume the March contract (which now attracts nearly all the trading) fell from an opening level of 121-08 to close at 120-28 down from 121-14 on Monday.

Three-month sterling deposits, being a short dated instrument, managed to recover from a lower start of 91.22 for December delivery, to finish at 91.25, unchanged from Monday.

US Treasury bond futures took heart from yesterday's intervention by central banks to support the dollar. This provided a psychological boost but failed to answer any of the longer term questions.

Investors are still having to ask themselves how will the latest efforts to cut the US budget deficit succeed (if at all) before the December 16 Gramm Rudman deadline.? In addition, will the US administration continue to let the dollar take the strain and if so what are the implications for a consequent rise in inflation?. In the short term these questions are likely to remain unanswered, but the current dollar revival left the March contract higher at 86-15 from 85-30 om Monday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	5.35	6.32	0.47	1.60
118	4.05	5.15	1.17	2.43
120	2.54	4.09	2.02	3.37
122	1.58	3.13	3.06	4.41
124	1.17	2.28	4.29	5.56
126	0.48	1.52	5.60	7.16
128	0.28	1.20	7.40	8.48
130	0.16	0.60	9.28	10.24

Estimated volume total, Calls 2431 Puts 956
Previous day's open int: Calls 18659 Puts 10305

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	5.44	5.27	1.14	1.49
84	4.11	4.13	1.45	2.35
86	2.58	3.12	2.28	3.34
88	1.57	2.22	3.27	4.44
90	1.15	1.44	4.49	6.02
92	0.47	1.11	6.17	7.33
94	0.27	0.51	7.61	9.09
96	0.15	—	9.49	—

Estimated volume total, Calls 19 Puts 115
Previous day's open int: Calls 735 Puts 686

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
18000	0.79	3.63	21.79	21.43
18250	0.59	—	24.09	—
18500	0.43	2.66	26.43	25.46
18750	0.31	—	28.81	—
19000	0.22	1.92	31.22	29.72
19250	0.16	—	33.66	—
19500	0.11	1.37	36.11	34.17
19750	0.08	—	38.58	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 47 Puts 136

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LIFFE $/£ OPTIONS

£25,000 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE- EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX $500 times index

[illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8195	1.8183	1.8148	1.8110	1.8057

IMM-STERLING Se per £

	Close	High	Low	Prev.
Dec	1.8105	1.8140	1.8090	1.8295
Mar	1.8080	1.8105	1.8055	1.8260
Jun	1.8050	1.8090	1.8030	1.8225

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.8166	-	-	1.8311
Mar	1.8127	1.8118	1.8085	1.8277
Jun	1.8085	-	-	1.8235

Estimated volume 4(234)
Previous day's open int. 167(137)

MONEY MARKETS

UK rates lower

INTEREST RATES managed to show a small decline in London yesterday. Traders remained aware of recent official comments,warning against an early cut in base rates but at the same time recognised that market forces could alter official policy. As one dealer suggested: "We remain optimistic but not pushy" - when referring to the prospects of a cut in base rates.

Three-month interbank money was quoted at 8$^{15}/_{16}$-8⅞ p.c. from 9-8⅞ p.c.. Overnight money opened at 9⅛-8⅞ p.c. and touched a high of 9¼ p.c. before finishing around 8½ p.c.

UK clearing bank base lending rate 9 per cent from November 5

The Bank of England forecast a shortage of around £650m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £695m and banks' balances brought forward £95m below target. In addition there was a £10m rise in the note circulation. These were partly offset by Exchequer transactions which added £145m.

The forecast was revised to a shortage of around £800m and the Bank gave assistance in the morning of £15m through outright purchases of eligible bank bills in band 2 at 8⅞ p.c.

A further revision took the forecast to a shortage of £750m, before taking into account the earlier help, and the Bank gave additional assistance in the afternoon of £524m, £235m through outright purchases of eligible bank bills. £209m were bought in band 1 and £26m in band 2, all at 8⅞ p.c. The balance comprised sale and repurchase agreements on £289m of bills at 8$^{15}/_{16}$ p.c., for resale to the market on December 18.

Late help came to £185m, making a total of £724m.

In Frankfurt the Bundesbank announced its intention to hold a 34-day sale and repurchase tender at a fixed rate of 3.25 p.c. The previous facility also had a fixed rate of 3.25 p.c. Successful applicants will receive their allocations today and since there is no expiring facility this week, the amount allocated will represent new money.

Consequently call money rates were lower at 3.50 p.c. from 3.625 p.c. on Monday. There was probably money reaching the market as a result of the Bundesbank's support for the dollar. However all this liquidity was required to offset Lombard borrowings on Monday of over DM5bn at 4½ p.c. as commercial banks strived to meet end of month minimum reserve requirements with the Bundesbank.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec 1) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 7⅞	bid 7¾	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8.75
Broker loan rate	8.25
Fed.funds	7.00
Fed.funds at intervention	7.00

Treasury Bills and Bonds

One month	3.75	Three year	8.08
Two month	4.32	Four year	8.29
Three month	5.63	Five year	8.40
Six month	6.41	Seven year	8.81
One year	7.00	10-year	8.99
Two year	7.78	30-year	9.13

December 1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.40-3.50	3.40-3.60	3.50-3.70	3.55-3.75	3.60-3.80	4.50
Paris	8⅝-8½	8⅞-8⅞	8½-8⅝	8⅝-8⅝	8⅞-8⅞	8.00
Zurich	½-1½	4-4⅛	—	4-4⅛	—	—
Amsterdam	4⅛-4⅛	4⅛-4⅛	—	4⅛-4⅛	—	—
Tokyo	3.40625	N/A	—	3.90625	—	—
Milan	10-10½	11⅞-12⅛	—	11⅞-11⅞	—	—
Brussels	4.45	6⅝-6⅝	—	6⅞-6⅞	—	—
Dublin	7⅞-7⅞	8⅞-8⅞	8¾-9	9-9¼	9¼-9½	—

LONDON MONEY RATES

December 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	9.75	9.0625	9.00	9.00	9.00	9.125
Sterling CDs	-	-	8.968750	8.8125	8.8125	8.781250
Local Authority Deps.	8.875	8.875	8.9375	8.9375	8.9375	9.0625
Local Authority Bonds	-	-	9.125	9.0625	9.0625	9.125
Discount Mkt Deps.	9.25	8.9375	8.75	8.25	8.00	-
Company Deposits	-	-	8.9375	9.00	9.0625	9.1875
Finance House Deposits	-	-	8.9375	8.875	8.875	9.00
Treasury Bills (Buy)	-	-	8.875	8.5625	-	-
Bank Bills (Buy)	-	-	8.843750	8.625	8.4375	-
Fine Trade Bills (Buy)	-	-	9.50	9.25	9.00	-
Dollar CDs	-	-	8.10-8.05	7.80-7.75	7.80-7.75	8.25-8.20
SDR Linked Deposits	-	-	6.6875	6.5625	6.625	6.75
ECU Linked Deposits	-	-	7.0625	7.1875	7.1875	7.1875

Treasury Bills (sell); one-month 8⅞ per cent; three months 8½ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅞ per cent; Treasury Bills; Average tender rate of discount 9.5034 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 28, 1987. Agreed rates for period September 23 to October 25, 1987, Scheme I: 11.24 p.c., Schemes II & III: 11.24 p.c. Reference rate for period August 1 to August 28, 1987, Scheme IV: 20.94 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.5 from December 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9.6 per cent; one-three months 9.6 per cent; three-six months 9.6 per cent; six-nine months 9.6 per cent; nine-twelve months 9.6 per cent; Under £100,000 9.6 per cent from September 15, Deposits withdrawn for cash 9.6 per cent.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 460	126	42 B	-	-	-	-	$ 488.40
GOLD C	$ 480	49	29	2	40	-	-	"
GOLD C	$ 500	36	27.50	72	30.10	66	38.50	"
GOLD C	$ 520	83	11.90	41	21	-	-	"
GOLD P	$ 460	62	7	2	13	-	-	"
GOLD P	$ 480	74	12	1	19	-	-	"
		Dec. 87		Mch. 88		Jun. 88		
SILVER C	$ 800	51	6	-	-	-	-	$ 690
		Dec. 87		Jan. 88		Feb. 88		
EOE INDEX C	Fl.160	82	10.20 B	34	14.50	-	-	Fl. 164.26
EOE INDEX C	Fl.165	119	7	2	13	-	-	"
EOE INDEX C	Fl.170	91	5.50	37	10.50	-	-	"
EOE INDEX C	Fl.175	67	4	3	8.40	-	-	"
EOE INDEX C	Fl.180	247	2.70	22	6.50	-	-	"
EOE INDEX C	Fl.185	63	1.60	32	5	2	9.50 A	"
EOE INDEX P	Fl.155	239	3.40	53	8	-	-	"
EOE INDEX P	Fl.160	91	5.20	107	10 B	-	-	"
EOE INDEX P	Fl.165	74	6.60	164	11.50	18	15	"
EOE INDEX P	Fl.170	120	9.50	50	14	-	-	"
EOE INDEX P	Fl.180	40	16	13	21	-	-	"
EOE INDEX P	Fl.190	38	25	-	-	-	-	"
EOE INDEX P	Fl.200	70	33	48	34	-	-	"
EOE INDEX P	Fl.275	30	110	-	-	-	-	"
$/FL C	Fl.185	-	-	12	3.30	60	4.20	Fl. 185.85
$/FL C	Fl.190	40	0.90	130	1.40	-	-	"
$/FL C	Fl.195	-	-	57	0.80	-	-	"
$/FL C	Fl.200	205	0.10	5	0.50 B	-	-	"
$/FL C	Fl.205	230	0.10	-	-	-	-	"
$/FL P	Fl.180	25	0.70	265	1.70	12	2.40 B	"
$/FL P	Fl.185	213	2	102	3.30 B	-	-	"
$/FL P	Fl.190	92	4.70	80	6.50	-	-	"

Series		Jan. 88 Vol	Jan. 88 Last	Apr. 88 Vol	Apr. 88 Last	Jul. 88 Vol	Jul. 88 Last	Stock
ABN C	Fl.44	224	0.70	-	-	-	-	Fl. 39.40
ABN P	Fl.35	868	0.80	15	1.80	300	3.40	"
AEGON C	Fl.55	30	2	-	-	-	-	Fl. 51
AEGON P	Fl.55	49	5.70	20	7.20	-	-	"
AHOLD C	Fl.60	76	5.50	8	7	-	-	Fl. 60.50
AKZO C	Fl.150	205	0.40	4	1.40	-	-	Fl. 85.50
AKZO P	Fl.90	209	8	18	11.50	-	-	"
AMEV C	Fl.40	38	1.50	-	-	-	-	Fl. 36.80
AMEV P	Fl.40	82	4.10	-	-	-	-	"
AMRO C	Fl.60	33	2.30	119	4	-	-	Fl. 57
AMRO P	Fl.60	46	4.30	16	6.20 A	-	-	"
ELSEVIER C	Fl.35	87	3.20 A	-	-	5	6.90 A	Fl. 35
ELSEVIER P	Fl.35	46	3.30	-	-	1	5	"
GIST-BROC. C	Fl.45	-	-	100	0.70	-	-	Fl. 26.60
GIST-BROC. P	Fl.35	-	-	81	9.30	-	-	"
HEINEKEN P	Fl.110	97	4.50	-	-	-	-	Fl. 116.50
HOOGOVENS C	Fl.27.50	-	-	131	4	-	-	Fl. 28.10
KLM C	Fl.35	59	0.60	121	1.80	4	3	Fl. 27.70
KLM P	Fl.27.50	304	2.30	3	2.80	200	4	"
NEDLLOYD P	Fl.110	31	7.50	-	-	-	-	Fl. 111
NAT. NED. C	Fl.55	174	1	30	2.40	15	3.30	Fl. 49.10
NAT. NED. P	Fl.45	53	1.50	19	3 A	-	-	"
PHILIPS C	Fl.30	228	2.10 A	35	3.90	8	4.10	Fl. 29.40
PHILIPS P	Fl.55	65	26.10	8	26.50	3	27	"
ROYAL DUTCH C	Fl.210	244	4.50	61	9.10	-	-	Fl. 196.50
ROYAL DUTCH P	Fl.180	137	2.30	1023	6	3	8	"
ROBECO P	Fl.75	1	2.50	860	6.80	-	-	Fl. 81.20
UNILEVER C	Fl.100	186	7.50	26	12.50	15	16.50	Fl. 99.80
UNILEVER P	Fl.100	206	6	61	10.50	28	13	"

TOTAL VOLUME IN CONTRACTS : 25,031

A=Ask B=Bid C=Call P=Put

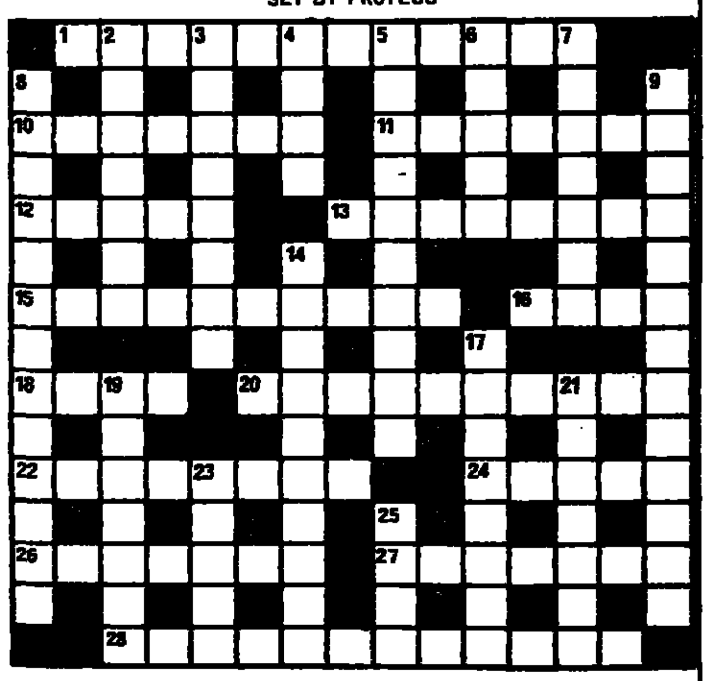
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat. Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm.Bk.N.East	9	PK Finans. Intl(UK)	9½
American Exp.Bk	9	Consolidated Crdt	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'antee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Egat'l Tst'C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	10½	UDT Mortgage Exp	§11.1
Bank Credit & Comm	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs.	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust Plc	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp.	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen Inv Bk	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4%. Sureise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 3.99%. Mortgage 10%-10.25%

FT CROSSWORD No.6,497

SET BY PROTEUS



ACROSS

1 Looks closely at Girl Guides? (12)
10 Folded as credit was relaxed (7)
11 Hair treatment required for quiet morning at flower-circle (7)
12 Franco-German assent needed by board (5)
13 Boring notes about type of wall construction (3-5)
15 Kind of lace not meeting requirements (10)
16 Abandoned port to sailors (4)
18 Performer eagerly desirous to make comeback (4)
20 Where research is done by born speaker in non-professional circumstances (10)
22 Dress part even if boring (8)
24 Head teacher given raw deal over letter (5)
26 Start song outside (4-3)
27 A roll for example is executed with brisk movement (7)
28 Variable conditions demanded by girl demonstrators (5,7)

DOWN

2 Initial opportunity perhaps (7)
3 He is willing to prove list upside down (8)
4 Manner of fashion (4)
5 Act of purifying from share of sensual desire? (10)
6 Square box over nets (5)
7 Imagine composer thus inwardly exalted (7)
8 Where one has to put up with compromise (13)
9 Compact attempt at Lorca play for Christmas performance? (8,5)
14 Russian sailor also no mean flier (3,7)
17 Gale giving firm buffet (4,4)
19 Unusually brave measure accepted at plant (7)
21 One may be indebted to him for girl being given OBE (7)
23 Celebrity swallows one in flight (5)
25 Impetuous outbreak (4)

Solution to Puzzle No.6,496

SIGHTS CRACKPOT
M R R Y O O E H
OPERATE OCTUPLE
U E M A M T S S
LAND TRAMPOLINE
D B B N A N S
EYELID STARVED
R L L D E E I H
ATELIER BEAGLE
O E P A L H A
WRISTWATCH STIR
N N D R U M F T
SITSOUT TRIPOLI
U E U E E N L E
PEROXIDE EXODUS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
7 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Capital Gth Ac	24.5	26.0	-0.8	-
Do. Income	24.4	25.9	-0.7	0.39
Scimitar European Acc	19.4	20.6	-0.4	-
Do Income	19.1	20.3	-0.4	0.11
Scimitar UK Eq Inc Acc	28.3	29.8	-1.4	-
Do. Income	27.1	28.5	-1.3	5.77
UK Cap Gth Acc	19.8	20.8	-0.3	0.75
Scimitar Pac Basin Acc	24.5	26.0	-0.1	-
Scimitar Mangd Exempt*	124.4	131.1	-6.7	-

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 9101

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	178.7	191.2	-2.2	3.25
Columbus (America)	110.2	117.9	-1.2	1.56
Marco Polo (Pacific)	182.7	195.5	-0.6	0.46
Da Vinci (European)	204.7	219.0	-3.0	1.79
Drake	46.0	49.3	-0.3	2.47

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

Tribune Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Tyndall Unit Trust Managers Limited

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40035

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 4064

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	354.2	372.9	—	—
Eb'r Ph Eq.	304.1	323.2	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	143.4	150.9	—	—
International Acc.	113.2	119.1	—	—
Property Acc.	120.1	126.4	—	—
Fixed Interest Acc.	151.6	159.5	—	—
Money Acc.	130.5	137.3	—	—
Bldg. Soc. Link Acc.	130.9	139.2	—	—
Special Mngd. Acc.()	132.3	139.2	—	—
Phoenix/Framlington				
Intnl. Growth Acc.	75.0	78.9	—	—
Amer. & Gen. Acc.	69.5	73.1	—	—
Capital Tst. Acc.	157.7	166.0	—	—
Japan & Gen Acc.	157.6	165.8	—	—
American Turn. Acc.	68.5	72.1	—	—
Recovery Tst. Acc.	146.0	153.6	—	—
Special Mngd Acc.	126.9	133.5	—	—
Phoenix/GT				
International Acc.	112.4	118.3	—	—
US & General Acc.	81.3	85.5	—	—
Amer Spec Sits Acc.	54.8	57.6	—	—
Japan & General Acc.	148.0	155.7	—	—
Far East & Gen. Acc.	127.6	134.3	—	—
UK Capital Acc.	145.9	153.5	—	—
European Acc.	124.6	131.1	—	—
Special Mngd. Acc.	112.5	118.4	—	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	254.6	268.1	—	—
Man Pens Inc & Cap Fds	321.2	340.3	—	—
Money Fund	110.1	115.9	—	—
Pens. Mngd Fd (Init)	77.6	81.7	—	—
Pens Mngd Fd (Acc)	85.8	90.4	—	—
Pens FT30 Fd (Init)	120.7	127.1	—	—
Pens FT30 Fd (Acc)	133.6	140.7	—	—
Pens O'seas MgFd(Init)	49.6	52.3	—	—
Pens O'seas MgFd(Acc)	54.9	57.8	—	—
Pens Fxd Int Fd (Init)	106.4	112.0	—	—
Pens Fxd Int Fd (Acc)	117.8	124.0	—	—
Pens Deposit Fd (Init)	100.2	105.5	—	—
Pens Deposit Fd (Acc)	110.9	116.8	—	—

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

American	75.0	79.0	-1.0	—
Building Soc. Fd.	156.0	165.0	—	—
Balanced	212.0	224.0	-1.0	—
Deposit	156.0	165.0	—	—
European	120.0	127.0	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Nov 25	184.0	192.5	—	—

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	394.0	414.8	-8.2	—
Equity Fd.	773.7	814.5	-21.5	—
Intnl. Fd.	276.1	290.7	-3.1	—
Fixed Int. Fd.	357.6	376.5	+1.8	—
Prop. Fd.	295.7	311.3	+0.4	—
Cash Fd.	231.5	243.7	+0.1	—
Pacific Basin Fd.	152.6	160.7	-0.3	—
North American Fd.	105.9	111.5	-3.6	—
European Fd.	132.7	139.7	+3.6	—

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	422.6	444.9	-9.6	—
Equity	575.6	605.9	-5.9	—
Global Equity	174.1	183.3	-3.1	—
Fixed Interest	364.8	384.2	-0.9	—
Property	296.5	312.2	+5.3	—
Cash	135.3	142.5	—	—
Index Linked Gilt	162.4	171.0	+1.4	—
Guaranteed	9.25	10.25	—	—
International Money	181.8	191.4	—	—
North American Fd.	50.2	52.9	-2.8	—
Japanese Fund	98.39	103.3	-3.0	—
European Fund	68.5	72.2	-1.4	—
Special Situations Fd.	79.2	83.4	-7.8	—
Commodities Fund	68.4	72.0	-4.3	—
Smaller Cos Fund	81.7	86.0	-4.4	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Nov 25	£116.47	118.81	—	—
Equity Fund Nov 25	£122.98	125.48	—	—
Intnl Fund Nov 25	£19.49	20.12	—	—
Intl Bond Fd Nov 25	£10.50	10.65	—	—
Fixed Int Nov 25	£65.66	66.53	—	—
Index Linked Nov 25	£48.38	48.99	—	—
Property Fund Nov 25	£72.32	76.99	—	—
Cash Fund Nov 25	£17.8023	17.8023	—	—
Pru-Linked Retirement Plan				
Managed Fd Nov 25	286.4	298.4	—	—
Cash Fund Nov 25	169.6	176.7	—	—
Prudential Pensions Investment Account				
Pens Man Fd Dec 01	114.3	120.4	—	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 7¾pc 1985-88‡‡	[illegible]		7.76	8.36
102	[illegible]	Exch 10½pc '88	[illegible]		10.41	8.48
101	[illegible]	Treas 9¾pc Cv '88	[illegible]		9.69	8.53
98	93	Transport 3pc '78-88	[illegible]		3.07	6.89
101	[illegible]	Treas 9½pc '88	[illegible]		9.43	8.60
109	101	Treas 11½pc 1989	[illegible]	[illegible]	11.16	8.70
102	97	Treas 9½pc Cv 1989	[illegible]	[illegible]	9.40	8.62
96	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.13	6.30
104	99	Treas 10½pc 1989	[illegible]	[illegible]	10.29	8.65
103	98	Exch 10pc 1989	[illegible]	[illegible]	9.81	8.71
105	100	Exch 11pc 1989	[illegible]	[illegible]	10.61	8.74
96	[illegible]	Treas 5pc 1986-89	[illegible]		5.22	7.45
108	99	Exch 10½pcCv '89	[illegible]	[illegible]	9.82	7.78
111	104	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.05	8.79
106	100	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.56	8.80
110	103	Exch. 12½pc 1990	[illegible]	[illegible]	11.63	8.82
92	84	Treas. 3pc 1990	[illegible]	[illegible]	3.27	6.67
100	93	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.31	8.56
105	97	Treas. 10pcCv 1990	[illegible]	[illegible]	9.72	8.78
91	81	Exch 2½pc 1990	[illegible]	[illegible]	2.79	6.38
110	102	Treas 11¾pc 1991	[illegible]	[illegible]	10.92	8.88
95	87	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.14	7.95
92	80	Treas. 3pc 1991	[illegible]	[illegible]	3.38	6.71
110	98	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.53	8.36
109	101	Exch. 11pc 1991	[illegible]	[illegible]	10.28	8.83
99	91	Treas. 8pc 1991	[illegible]	[illegible]	8.22	8.78
116	107	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.30	8.95
106	97	Treas 10pc 1992	[illegible]	[illegible]	9.64	8.88
99	90	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.23	8.78
108	99	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	9.94	8.91
86	74	Treas. 3pc 1992	[illegible]	[illegible]	3.74	8.09
115	105	Exch. 12¼pc '92	[illegible]	[illegible]	10.93	9.03
121	110	Exch 13½pc 1992	[illegible]	[illegible]	11.59	9.08

Five to Fifteen Years

1987 High	1987 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107	97	Treas 10pc 1993‡‡	[illegible]	[illegible]	9.62	8.99
118	107	Treas 12½pc 1993‡‡	[illegible]	[illegible]	10.90	9.09
95	82	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.64	8.11
125	113	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	11.39	9.15
129	117	Treas 14½pc 1994‡‡	[illegible]	[illegible]	11.60	9.14
124	112	Exch 13½pc 1994	[illegible]	[illegible]	11.34	9.25

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS – Contd

Undated

[illegible]

Index–Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for October 1987: 102.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
43¾	25⅞	RJR Nabisco Inc.	25⅞	–⅛	$1.60	–	3.6
39	21⅛	Rep NY Corpn $5	22⅛	–½	$1.16	–	2.9
18¾	8⅝	Rockwell Intl. $1	9	–⅜	66c	–	4.2
30⅛	16⅛	Sara Lee $1(1/3)	17⅛	–⅛	$1.00	–	3.2
11⅛	8⅞	Saul (B. F.) $1	8⅞	–⅛	20c	–	1.3
27⅞	21⅛	Southwestern Bell $1	18⅛	–½	$2.32	–	7.1
22⅛	994p	Staley Continental	994p	–15½	80c	–	4.6
44⅜	21⅛	Sun Co. Inc. $1	25¼	–2¼	$3.00	–	6.9
42¾	22⅛	TRW Inc. $0.625	23⅝	–⅜	$2.60	–	4.0
37⅛	21⅞	Tenneco $5	22⅝	–1⅛	$3.04	–	8.0
220	149½	Do. 13pcLn.Stk. 91-5	150		13%	–	14.7
29⅝	15⅞	Texaco $6.25	17⅛	–⅞	$3.00	–	9.9
74⅛	40⅛	Time Inc. $1	40⅛	–⅛	$1.00	–	1.4
20⅛	11	Tracor $0.33(1/3)	17⅛	–⅛	40c	–	1.3
30⅛	15⅛	Transamerica $1	17⅛	–⅛	$1.84	–	6.2
14⅛	1⅛	Transworld Corp $5	600p	–83	20c	–	1.9
27⅛	12⅛	TRINOVA Corp.	13⅞	–2⅛	56c	–	2.3
24⅛	12⅛	USX $1	15⅛	–⅛	$1.20	–	4.5
19⅛	10⅛	Union Carbide $1	10⅛	–⅛	$1.50	–	8.1
37⅛	17⅛	Utd. Technologies	17⅛	–1⅛	$1.40	–	4.6
38⅛	26⅛	US West	26⅛	–⅛	$3.28	–	7.0
30⅛	17⅛	Waste Management $1	17⅛	–⅛	–	–	–
31⅛	11⅛	Whirlpool $1.0	11⅛	–1⅛	–	–	–
37⅛	17⅛	Woolworth $3½	17⅛	–1⅛	$1.32	–	4.3

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	234p	–29	–	–	–
26½p	10p	Abbot Energy Corp.	23p		–	–	–
18⅛	506p	Amer Barrick Res.	11⅛	–⅛	–	–	–
141p	6p	American Lightwave	6⅛	+⅛	–	–	–
122p	33p	Arneco	39	–2	–	–	–
117p	39⅛p	Augmitto Expln	50	+⅛	–	–	–
19⅛	10⅛	Bk. Montreal	10⅛	–⅛	$2.00	–	8.2
10⅛	488p	Bk. Nova Scot.	488p	–30	72c	–	6.5
20⅛	15⅛	BCE	15⅛	+⅛	$2.40	–	6.9
10⅛	511p	Bow Valley	541p	–14	40c	–	3.2
20	10⅛	Brascan	13⅛	–⅛	80c	–	3.5
609p	197p	Breakwater Res.	234p	+39	10c	–	1.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
526	300	Pearl Group 5p	340	–5	†10.5	–	4.2	–
*1113	733	Prudential	748	+3	†29.0	–	5.3	–
595	350	Refuge 5p	375	–5	15.75	–	5.6	–
595	345	Royal	358		††15.5	–	5.9	–
110	85	Sabler Ins. Hms.	95	+2	–	–	–	–
*345	168	Sedgwick Group 10p	183	+1	12.0	1.7	9.0	7.8
339	138	Steel Burrill J.10p	148	–10	†9.2	2.0	8.3	8.2
648	403	Stewart Wr. 20p	410		†13.0	2.0	2.9	22.9
632	305	Sturge Hldgs 20p	338	–7	†46.0	2.5	2.5	21.8
£12½	645	Sun Alliance	748		†23.5	–	4.3	–
1213	865	Sun Life 5p	890	–15	†28.5	–	4.6	–
[illegible]	£36¼	♦Taisho M ¥50	£42	–¼	[illegible]	–	1.0	–
£22¼	£12⅞	Torchmark $1.00	£17¼	–¼	Q$1.00	–	4.5	–
410	295	Trade Indemnity	345	–12	14.3	–	1.7	–
£34	£18¼	Travelers $1.25	£25¼	–¼	$2.28	–	7.2	–
£19¾	£16¾	USF & G Corp $2.50	£20	–¼	Q$2.40	–	6.8	–
£33¼	£16¼	USLIFE Corp. $1.0	£16¼	–¼	Q$1.28	3.5	4.4	6.8
738	555	♦Utd Friendly B 10p	570		22.0	–	5.5	–
454	202	Willis Faber 12½p	204	+1	†10.75	2.4	7.2	7.8
128	41	Windsor Secs. 10p	60		†0.3	1.5	1.5	–

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

LONDON STOCK EXCHANGE

Confidence still lacking in thinly-traded equity and Gilt-edged markets

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

*New time dealings may take place from 9.00 am two business days earlier.

THE UK SECURITIES markets were left to flounder yesterday in the wake of the renewed uncertainties surrounding the US dollar. Encouraged at first by a rally in the US currency and by Wall Street's partial recovery late on the previous evening, equities lost momentum later and closed a shade easier on the session. Government bonds, also influenced by the dollar, shed half a point or so.

Further reports that the West German authorities plan to stimulate the domestic economy, raising hopes that the Bundesbank may cut the discount rate tomorrow, had little effect in the City, which has also brushed off suggestions of an early cut in UK base rates. Investment confidence hangs on a concerted agreement by the industrial nations to stabilise the doller - and few expect that to happen before the New Year.

The stock market moved erratically, gaining 12 FT-SE points at first as London anticipated a rally on Wall Street. However, London slipped lower at the close when Wall Street was struggling to extend its early gains.

At the close, the FT-SE 100 Index showed a net loss of 1.4 at 1578.5. The chartists noted that the Index had backed away from testing the 1600 mark - a further sign that most analysts are urging investors to sell into strength.

Once again, the feature of equities was the low level of turnover. With prospects for an early meeting of the G7 Finance Ministers now fading, and the outlook for global interest rates therefore equally uncertain, investment fund managers are unwilling to enter the equity market.

"It looks like being a long December", commented Ray Boxall at County NatWest, the London marketmaking and brokerage firm. UK investment funds are believed to be "quite liquid", after their rush into cash over the past fortnight. But their lack of enthusiasm for UK shares was reflected again yesterday in the peristent weakness in BP "new" shares, which drifted ever closer to the 70p support level set by the Bank of England.

Good results from major UK companies, accompanied by a higher interim dividend payout in the case of **GEC**, front runner of the UK heavy electricals sector, did little for the market. Also attracting little overall interest was a market raid on the shares of **Birmid Qualcast**, the Midlands manufacturing company.

Government bonds opened easier, correctly sensing that equities would try to stage a rally. Some profits were taken by retail houses which have recently been trading the market. But turnover remained sluggish, with traders concentrating on keeping their books balanced.

At the close, long-dated issues showed losses of half a point or so, with the mediums down by a smaller amount.

BP "new" and "old" shares attracted a much larger slice of the action - turnover in the "old" was 13m and in the "new" topped 45m shares - as the "new" moved perilously near the 70p level at which the Treasury has pledged to buy back any of the stock. The "new" were finally quoted at 71½p, down 1½ on the day, after persistent support from Japanese securities houses.

The "old" found little support and closed 4 lower at 240p, mirroring a general decline in an oil sector worried by the forthcoming OPEC meeting, to be held in Vienna on December 11.Dealers were also looking for signs that the Kuwait Investment Office could be back in the market to top up its holding to the maximum permitted 15 per cent level.

British Gas shares were finally 2 easier on the day at 117p having touched 120p earlier in the session after it was revealed that the company had made a "commercially significant" gas find in block 48/12B. Turnover in the shares was in excess of 6m.

"This is good news for Gas and enhances its defensive qualities", said an oil sector analyst.

GEC shares fell 8 to 155p in the wake of the interim results which, in the words of a senior trader, were "no great shakes and not very well received. Add in the £11m for Nimrod and you are bang in line with most analysts estimates". Turnover in GEC topped 8m shares.

Electrical analysts returning from the meeting with the company yesterday afternoon were equally unimpressed - one said he was downgrading his GEC profits forecast for the full year from around £730m to £700m - and expects other analysts to follow suit. But he emphasised the company's "excellent defensive qualities".

Allied-Lyons were deemed to have disappointed optimists when reporting profits at the halfway stage of £197.5m, compared with £148m in the corresponding period last year. Analysts had seen fit to raise their estimates since the announcement last week of the likely contribution from Hiram Walker and some predictions were as high as £210m.

Fiona Matheson of Wood Mackenzie said more had been expected from the beer divison, where there was little real growth, but generous tax allowances should enable the group to make £460m for the full year.

Colin Humphreys, sector analyst at Citicorp Scrimgeour Vickers, was looking for a slightly lower figure of £450m because it seems that the brakes have gone on a little.

After falling to 312p, the shares attracted good demand and rebounded to close only 4 down on the day at 321p. Turnover expanded to 7.1m shares.

Trafalgar House, a major UK-based property development, housing, shipping and oil group, produced highly satisfactory annual results given that analysts' profits estimates ranged between £148m and £166m; in the event, profits came out at £163.2m.

Because the profits fell in the middle of market estimates and, with an accompanying statement that failed to excite, the price failed to respond and the final quotation following a trading volume of only 1.1m shares, was 2 cheaper at 301p.

Blue Circle defined more clearly its intentions towards leading lawnmower and engineering group **Birmid Qualcast** with an early market raid. A further 5.5m shares at 300p per share were netted, raising Blue Circle's stake to 7.6 per cent of the company.

Market rumours of Blue Circle being willing to buy 8m shares,had not the price of Birmid risen beyond 300p, were denied by the group's merchant bankers. Early activity was considerable but it slackened later and Birmid ended the session with a sharp rise of 59 at 301p.

Financial sectors mirrored the overall lack of enthusiasm for equity markets. The clearing banks "made an effort to move ahead but simply ran out of steam" a bank share dealer said.

He added that the market was taking a bearish view of the sector after Monday's news that South American countries are looking to set up a debtors cartel in an effort to reduce their interest charges to Western banks. County NatWest's John Aitken says "at the very least we should expect further large special provisions".He says Lloyds and Standard Chartered "will have acute balance sheet problems on this".

NatWest shares dipped 5 to 513p, **Midland** a like amount to 353p and **Lloyds** 2 to 223p. **Standard Chartered** fell 10 to 445p. **Royal Bank of Scotland** ended the day a net 4 up at 283p ahead of the interim figures expected today; Wood Mackenzie are forecasting pre-tax profits of £168m.

Revived worries over the possibility of a prolonged period of depression in London stockmarkets prompted a fresh decline in merchant banks with market trading operations. **Morgan Grenfell** lost 10 to 230p, **SG Warburg** 5 to 293p and **KleinwortGrieveson** the same amount to 280p.

Volumes in insurances remained at a low level. **Hogg Robinson Gardner** managed a minor gain at 123p after the interim results.

Leading Buildings traded with little conviction and prices displayed no set trend. **BPB Industries**, a dull market recently on plasterboard competition worries, rallied 10 to 228p following a broker's presentation and a recommendation from Morgan Grenfell Securities who think that competition fears are countered by strong fundamentals. **Tarmac** shaded to 191p and **Rugby** slipped 3 to 197p. **Barratt Developments** improved a couple of pence to 160p ahead of an imminent EEC decision on whether to apply VAT to new housing. **George Wimpey** added a similar amount to 181p. **Anglia Secure Homes** attracted support in front of today's annual results and rose 25 to 310p. **Caradon** added a penny to 228p following comment on the interim results.

Chemicals were steadier, particulaly those with US exposure, but volumes remained on the low side. ICI edged up 7 to 975p prior to closing unchanged at 968p, while **Coalite**, half-timer due tomorrow, firmed 5 to 294p. **Allied Colloids** touched 106p in reply to the good interim results, but later drifted back to close just 5 higher on balance at 100p.

Market makers described the stores sector as "a scrappy market given a minor boost by a minor stock shortage".

Institutional buyers were said to be back in the market, albeit in a small way, and dealers said the feeling in the sector was "a lot healthier but still nervous underneath".

In the leaders **Marks and Spencer**, hit recently by numerous sales scare stories, picked up 5 to 173p. **Dixons**, where sales of electrical and electronics items are widely regarded as having been poor as the Christmas rush got underway, rallied a few pence to 197p. **Burton Group**, favoured by securities house Kleinwort Grieveson in its Equity Market Review, edged up 3 to 228p.

Ward White lost 4 to 300p despite a favourable Press response to the near £50m worth of property sales. Adverse comment triggered a retreat by **Woolworths** which fell a similar amount to 245p.

The rather disappointing results and accompanying statement from GEC had a restraining effect on other leading electrical and electronics issues.

News that Molex has upped its stake to 5.9 per cent boosted **Dubilier** 4 to 139p. The interim profits surge from £493,000 to £892,000 attracted support for **Logitek** which added 7 at 117p.

Several Engineering issues prospered as bid speculation took hold in the sector after the market raid on Birmid Qualcast. **Delta** rebounded 13 to 225p, **Laird** rose 13 to 216p and **Glynwed International** gained 5 to 399p. **Victor Products** were also bought and closed 7 up at 140p but little enthusiasm for shown for leading stocks with the exception of **TI**, 5 deanrerat 253p. The latter has sold its stainless tube business to the UK subsidiary of Sandvik AB for approximiately £7.1m. Elsewhere, **Tex** dropped 8 to 100p ahead of next Wednesday's interim results.

Food Retailers staged a reasonable bounce from the previous day's depressed levels and were led higher by **Dee Corporation** which rallied strongly to close 9 higher at 161p. **ASDA-MFI**, awaiting news of the Allied Carpets sale, attracted a reasonable turnover, some 8m shares changed hands, and the price rose 3 to 158p. **Argyll** firmed 4 to 177p in front of today's half-timer and **Tesco** improved 2 to 152p. Among Manufacturers, **Ranks Hovis McDougall** attracted support on talk of a broker's recommendation and gained 7 to 288p. **Cadbury Schweppes** added 2 to 230p on hopes that General Cinema of the US may increase its holding. **Hillsdown** rallied 4 to 228p and **United Biscuits** improved 5 to 225p. **Christian Salvesen** firmed 4 to 140p following acquisition news; the interim results are due today.

International stocks traded on a slightly firmer note helped by a steadier US dollar. **British Aerospace**, a particularly dull market on Monday on fears that the company may lose a major contract, rallied 8 to 291p. **Hanson Trust** were a shade dearer at 122p ahead of tomorrow's annual results, while **Beecham** picked up 6 at 424p and **Reckitt and Colman** rose 13 to 722p, the latter on talk of a broker's circular. **Cookson** revived with a gain of 17 at 443p and **Glaxo** edged up 2 to 987p. **BOC** improved 6 to 345p following a broker's recommendation, but **Pilkington** shed 7 to 187p amid reports that brokers James Capel had downgraded its current-year profits forecast from £315m to £290m owing to US currency weakness. **Norcros** slipped to 344p prior to closing 2 dearer at 350p following interim profits much in line with market estimates, while **Cape Industries** firmed 5 to 128p in reply to good half-year figures. **Bridon** gained 8 to 135p on speculative buying; Carclo recently acquired a 5 per cent stake in the company.

Reducing US dollar pressures helped **Jaguar** regain 3 to 273p but increased first-half profits failed top boost **Graham Motor**, which ended 8 down at 100p

Selected Paper/Printings moved lower including **Wace**, 8 easier 195p, and **John Waddington**, which slipped 15 to 158p. Small sales in a thin market left **Conrad** 13 lower at 64p while **John Michael Design** came back 6 to 42p following news of the first-half loss.

Properties were in better form, although demand was fairly selective. **Great Portland Estates** made good progress as bid rumours resurfaced and the price jumped 8 to 238p. **MEPC** were 8 better at 408p and **British Land** improved 8 at 228p. **Land Securities** remained subdued however, and showed little alteration at 413p. **Hammerson A** rose 13 to 438p in thin trading, while **Slough Estates** firmed 8 to 217p. **Mountleigh** revived strongly with a gain of 10 at 143p, but **Helical Bar** gave further ground to close 5 lower at 140p.

Trading statements made an unfavourable impact on several Textile groups although in all cases the profits disclosed were higher. **Illingworth Morris** were badly hit and fell to 103pbefore settling 8 down on balance at 110p, while **Atkins Bros.** lost 12 to 253p and **Drummond** 3 to 100p. Record sales and revenue only succeeded in leaving **Leeds** slightly easier at 292p. In contrast, **Courtaulds** regained 4 to 318p and **Tootal** improved to 96p.

Calor Group moved up to 413p immediately following the better than expected interim dividend but later fell back to close unchanged on balance at 403p.

The Wytch farm participants gained ground ahead of an expected announcement of positive results from the latest well on the prospect but turned easier towards the end of the trading session.

Half-yearly profits profits of £86m, plus a one-for-five scrip issue, from Asil Nadir's **Polly Peck** beat most market estimates but the shares still slipped back to close a net 6 lower at 255p.

Business in Traded options remained in low key. Some 20,802 contracts were arranged comprising 12,325 calls and 8,477 puts. The **FTSE** contract attracted 1,026 calls and 1,638 puts. **Hanson Trust** calls were active and totalled 2,934; puts amounted to just 81. **GEC** registered 770 calls and 907 puts.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks attracting money for the call included Tranwood, Eagle Trst, Pilkington, Plessey, Mawson Pacific, Tricentrol, Stormgard, London Security, Astra Hldgs, N. Kalgurli, Phicom, Whim Creek, Julia Mines, Morgan Grenfell, Pentland Industries, Rolls-Royce and London International Group. No "puts" or "doubles" were completed.4

FINANCIAL TIMES STOCK INDICES

	Dec. 1	Nov. 30	Nov. 27	Nov. 26	Nov. 25	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	89.76	90.28	89.95	89.80	89.87	81.23	93.32 (8/5)	83.75 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.38	96.84	96.46	95.94	95.54	88.41	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1249.8	1250.9	1308.2	1314.4	1316.6	1278.4	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	338.3	352.0	320.0	330.9	327.8	322.9	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.96	4.95	4.73	4.72	4.71	4.44				
Earnings Yld. %(full)	12.27	12.23	11.70	11.68	11.64	10.30				
P/E Ratio (net)(*)	9.96	9.99	10.45	10.47	10.50	11.85				
SEAQ Bargains (5pm)	25,280	24,686	16,798	17,295	21,955	27,395				
Equity Turnover (£m)	-	811.45	597.91	783.79	946.77	962.86				
Equity Bargains	-	25,981	18,109	19,740	25,707	36,802				
Shares Traded (ml)	-	361.0	282.8	316.0	335.8	379.6				

S.E ACTIVITY

Indices	Nov.30	Nov.27
Gilt Edged Bargains	136.5	200.4
Equity Bargains	168.3	117.3
Equity Value	1640.1	1208.5
5-Day average		
Gilt Edged Bargains	119.4	116.4
Equity Bargains	150.1	152.1
Equity Value	1647.5	1592.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1258.2	1256.7	1247.3	1247.3	1253.7	1254.5	1255.3	1255.9

Day's High 1258.9 Day's low 1245.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=9.83 .

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).
ELECTRICALS (1) MK Electric.
NEW LOWS (200).
AMERICANS (31) CANADIANS (8) BANKS (5) BREWERS (1) BUILDINGS (6) CHEMICALS (2) STORES (8) ELECTRICALS (10) ENGINEERING (6) FOODS (3) INDUSTRIALS (21) INSURANCE (7) LEISURE (10) MOTORS (3) NEWSPAPERS (1) PAPERS (7) PROPERTY (2) TEXTILES (1) TRUSTS (27) OILS (6) OVERSEAS TRADERS (3) PLANTATIONS (1) MINES (2) THIRD MARKET (6).

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday December 1 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Nov 30 Index No.	Fri Nov 27 Index No.	Thu Nov 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	632.44	-0.4	11.16	4.52	11.26	19.71	634.72	664.15	667.14	678.20
2	Building Materials (30)	799.57	-1.1	12.07	4.68	10.32	23.87	808.41	852.84	861.27	846.91
3	Contracting, Construction (33)	1185.62	-0.2	10.51	4.20	12.72	34.54	1187.50	1228.39	1228.94	1151.22
4	Electricals (14)	1827.47	-0.7	10.01	5.09	12.99	64.72	1840.52	1891.65	1893.84	1703.97
5	Electronics (33)	1375.66	-1.9	11.56	3.68	11.32	36.02	1402.19	1452.97	1451.86	1447.83
6	Mechanical Engineering (60)	317.88	+0.8	11.70	5.14	10.76	11.92	315.38	331.84	332.17	302.86
8	Metals and Metal Forming (7)	364.19	+0.7	10.81	4.53	11.26	11.55	361.57	385.67	396.29	351.37
9	Motors (14)	222.58	-0.5	13.52	5.20	8.61	7.36	223.71	238.18	238.98	270.84
10	Other Industrial Materials (23)	1118.36	+1.2	9.17	4.59	12.97	37.48	1105.00	1161.28	1171.45	1193.85
21	CONSUMER GROUP (182)	933.23	+0.8	9.14	3.84	13.91	23.47	926.12	973.23	979.21	930.87
22	Brewers and Distillers (21)	893.22	-0.2	11.39	4.17	11.07	18.46	894.73	933.25	925.46	931.96
25	Food Manufacturing (23)	745.77	+0.7	10.13	4.28	12.74	22.49	740.72	776.41	781.82	737.14
26	Food Retailing (17)	1896.05	+1.7	8.12	3.15	16.41	40.77	1863.50	1967.54	1986.79	1829.49
27	Health and Household Products (10)	1668.14	+1.1	6.93	2.69	16.97	33.67	1650.64	1738.22	1738.23	1519.97
29	Leisure (29)	988.23	-0.3	8.19	4.62	15.25	29.45	991.31	1037.54	1030.71	968.12
31	Packaging & Paper (16)	439.75	+0.8	9.58	4.11	13.73	12.53	436.24	458.39	458.44	486.95
32	Publishing & Printing (15)	2951.96	+0.4	7.42	4.95	17.03	97.34	2939.88	3138.40	3168.31	2635.46
34	Stores (35)	772.57	+1.2	9.66	3.98	13.89	20.18	763.25	801.14	816.97	836.57
35	Textiles (16)	518.26	+0.6	12.62	4.54	9.12	15.46	515.17	542.46	538.55	539.26
40	OTHER GROUPS (87)	767.99	+0.1	11.65	4.73	10.69	21.23	766.85	796.99	797.89	799.70
41	Agencies (17)	872.13	-0.7	7.03	2.63	18.69	16.91	878.01	943.60	953.56	0.0
42	Chemicals (21)	934.52	+0.3	10.66	5.00	11.46	33.31	931.51	969.21	972.02	1013.67
43	Conglomerates (13)	1042.82	+0.5	10.10	4.60	11.32	22.43	1037.84	1093.08	1093.56	0.0
45	Shipping and Transport (11)	1594.98	-0.4	10.66	5.17	12.30	56.73	1600.78	1663.04	1664.65	1567.29
47	Telephone Networks (2)	821.64	+0.2	13.11	5.15	10.16	18.98	820.04	834.80	830.59	791.00
48	Miscellaneous (23)	1056.32	+0.1	14.56	4.51	8.17	33.00	1054.76	1099.97	1106.67	1108.16
49	INDUSTRIAL GROUP (483)	817.25	+0.3	10.32	4.25	12.20	22.29	814.67	852.63	856.36	839.77
51	Oil & Gas (17)	1512.02	-2.1	10.99	6.51	11.22	65.74	1544.13	1589.54	1605.39	1407.38
59	500 SHARE INDEX (500)	876.14	.....	10.42	4.58	12.04	26.04	876.52	915.09	919.84	887.60
61	FINANCIAL GROUP (121)	568.42	-0.4	-	5.49	-	21.37	570.78	600.29	601.09	603.58
62	Banks (8)	582.95	-0.7	22.73	6.67	5.81	25.98	586.92	628.25	629.19	653.94
65	Insurance (Life) (8)	847.77	-1.0	-	5.43	-	32.56	856.04	884.99	879.24	853.72
66	Insurance (Composite) (7)	448.44	-0.9	-	6.14	-	20.16	452.44	475.95	476.64	447.83
67	Insurance (Brokers) (8)	739.53	+0.3	15.02	7.75	8.52	39.63	737.55	785.40	784.45	1185.39
68	Merchant Banks (11)	307.20	-1.7	-	4.63	-	8.77	312.51	325.10	324.21	346.18
69	Property (49)	859.01	+1.3	6.02	3.55	21.24	18.92	848.30	891.33	902.70	811.63
70	Other Financial (30)	339.79	-1.3	10.62	4.66	11.92	11.96	344.20	366.31	366.32	363.95
71	Investment Trusts (87)	757.64	+0.4	-	3.33	-	17.14	754.55	784.79	785.28	843.56
81	Mining Finance (2)	423.24	-0.7	10.74	4.03	10.49	12.77	426.25	411.31	408.09	328.13
91	Overseas Traders (10)	854.06	-1.0	10.65	5.85	11.00	37.00	862.36	870.02	887.87	760.82
99	ALL-SHARE INDEX (720)	795.51	-0.1	-	4.60	-	24.49	796.31	832.00	834.64	811.28

	Index No.	Day's Change	Day's High	Day's Low	Nov 30	Nov 27	Nov 26	Nov 25	Nov 24	Year ago
FT-SE 100 SHARE INDEX ♦	1578.5	-1.4	1592.7	1577.4	1579.9	1651.6	1660.7	1664.1	1609.1	1625.50

FIXED INTEREST

	PRICE INDICES	Tue Dec 1	Day's change %	Mon Nov 30	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.51	-0.06	124.59	-	10.09
2	5-15 years	142.10	-0.32	142.56	-	12.14
3	Over 15 years	149.67	-0.44	150.33	-	12.41
4	Irredeemables	164.93	-0.57	166.11	0.23	13.59
5	All stocks	138.50	-0.27	138.87	0.00	11.58
	Index-Linked					
6	5 years	124.93	+0.06	124.86	-	2.18
7	Over 5 years	117.94	+0.17	117.75	-	2.89
8	All stocks	118.35	+0.16	118.16	-	2.82
9	Debentures & Loans	118.99	+0.01	118.98	-	10.46
10	Preference	86.01	+0.07	85.95	-	6.09

	AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 1	Mon Nov 30	Year ago (approx.)
	British Government				
1	Low	5 years	8.47	8.43	9.94
2	Coupons	15 years	9.22	9.17	10.60
3		25 years	9.13	9.07	10.69
4	Medium	5 years	9.07	9.02	11.42
5	Coupons	15 years	9.43	9.37	11.04
6		25 years	9.35	9.29	10.67
7	High	5 years	9.14	9.10	11.51
8	Coupons	15 years	9.57	9.50	11.23
9		25 years	9.38	9.32	10.75
10	Irredeemables†		8.92	8.88	10.41
	Index-Linked				
11	Inflation rate 5%	5yrs	2.57	2.59	3.68
12	Inflation rate 5%	Over 5 yrs	3.82	3.83	3.80
13	Inflation rate 10%	5 yrs	2.87	2.88	2.23
14	Inflation rate 10%	Over 5 yrs	3.88	3.89	3.64
15	Debs &	5 years	10.61	10.61	11.88
16	Loans	15 years	10.59	10.59	11.85
17		25 years	10.59	10.59	11.82
18	Preference†		10.53	10.54	11.83

♦Opening index 1589.0; 10 am 1591.3; 11 am 1579.2; Noon 1579.1; 1 pm 1586.7; 2 pm 1588.4; 3 pm 1588.6; 3.30 pm 1588.6; 4 pm 1588.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Samuelson Group (29) has been deleted and replaced by Eagle Trust (10).

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jul.	Puts Jan.	Puts Apr.	Puts Jul.
Allied Lyons (*317)	300	30	43	53	13	25	32
	330	15	25	37	30	40	53
	360	7	18	25	53	60	68
Brit. Airways (*130)	130	13	19	23	11	15	19
	140	7	14	19	17	20	25
	160	4	10	13	33	35	38
[illegible]							

December 1 Total Contracts 20,802 Calls 12,325 Puts 8,477
FT-SE Index Calls 1,026 Puts 1,638
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's
ASDA-MFI	8,200
Allied-Lyons	7,100
Amstrad	643
Argyll Group	897
Assoc. Brit. Foods	106
BAA	487
BAT	2,000
BET	869
BICC	499
BOC	435
BPB Inds	9,000
BTR	1,400
Barclays	2,100
Bass	481
Beecham	1,100
Blue Arrow	4,700
Blue Circle	1,200
Boots	2,100
Brit. Airways	1,100
Brit. Aero	1,700
Brit. & Comm.	544
British Gas	5,700
Britoil	851
BP	19,000
Brit. Telecom	3,100
Bunzl	521
Burmah Oil	112
Burton	1,400
Cable & Wire	3,100
Cadbury Schwps	1,400
Coats Viyella	1,500
Comm. Union	1,100
Cons. Gold	349
Cookson	1,200
Courtaulds	352
Dalgety	262
Dee Corpn	2,700
Dixons Group	915
English China Clays	794

Stock	Volume 000's
Enterprise Oil	655
Fisons	1,100
Gen. Accident	594
Gen. Elect	8,300
Glaxo	1,300
Globe Investment	95
Granada	1,000
Grand Met	2,000
GUS A	55
Guardian R.E.	821
GKN	769
Guinness	1,200
Hammerson	128
Hanson Trust	5,800
Hawker Sidd	1,100
Hillsdown Hldgs	1,600
IMI	291
ICI	2,300
Jaguar	1,400
Ladbroke	1,300
Land Securities	999
Laporte	37
Legal & Gen.	769
Lloyds Bank	2,900
LASMO	199
Lonrho	451
Lucas	29
MEPC	583
Marks & Spencer	1,500
Maxwell Comms.	370
Metal Box	370
Midland Bank	850
NatWest Bank	1,500
Next	483
Northern Foods	827
Pearson	128
Pearl Assurance	474
P & O	1,100
Pilkington Bros	4,200
Plessey	3,000

Stock	Volume 000's
Prudential	389
Racal	2,800
Rank Org.	700
RMC	257
RHM	1,200
Reckitt & Col.	497
Redland	736
Reed Intl.	1,000
Reuters	1,000
RTZ	1,500
Rolls-Royce	5,100
Rothmans	623
Rowntree	479
Ryl Bank Scotland	422
Royal Insurance	1,000
STC	1,100
Saatchi & Saatchi	438
Sainsbury	1,300
Scott & Newcastle	2,100
Sears	3,200
Sedgwick	462
Shell Trans	1,700
Smith & Nephew	872
Standard Chart.	346
Storehouse	463
Sun Alliance	481
T & N	296
TSB	1,200
Tarmac	1,800
Tesco	1,700
Thorn EMI	543
Trafalgar House	1,100
T'house Forte	1,100
Ultramar	522
Unilever	618
United Biscuits	738
Wellcome	1,300
Whitbread A	726
Woolworth	1,100

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	89	12
Corporations, Dominion and Foreign Bonds	2	21	30
Industrials	316	611	631
Financial and Properties	125	216	288
Oils	33	34	44
Plantations	1	5	8
Mines	41	92	65
Others	33	169	63
Totals	565	1,237	1,141

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

BELGIUM/LUXEMBOURG | SWITZERLAND | NORWAY | ITALY | SPAIN | DENMARK | NETHERLANDS | SOUTH AFRICA | FINLAND | SWEDEN

JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

CANADA

TORONTO

Closing prices December 1

MONTREAL

Closing prices December 1

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 51

Indices

NEW YORK

DOW JONES

STANDARD AND POOR'S

TRADING ACTIVITY

CANADA

TORONTO

NEW YORK ACTIVE STOCKS

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Alexon	303	+ 13
BPB Inds	228	+ 10
Birmid Qualcast	*301*	*+ 50*
Cookson	443	+ 17
Dee Corpn	161	+ 9
Great Portland Est	238	+ 8
Irish Distillers	175	+ 5
Logitek	117	+ 7
MEPC	408	+ 8
Marks & Spencer	173	+ 5
RHM	288	+ 7

FALLS:

Tr 13¾% 2000-03	£129⅛	−⅛
Atkins Bros (Hos)	253	−12
Blue Circle	291	−11
Conrad Hldgs	64	−13
Graham Motor	100	− 8
Illingworth Morris	110	− 8
M & G Group	185	−18
Michael (J) Design	42	− 6
Pilkington	187	− 7
Polly Peck	255	− 6
Tex Hldgs	100	− 8

TOKYO – Most Active Stocks

Tuesday, December 1, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	30.5m	434	+ 8	Nippon Stainless	8.30m	778	+45
Kawasaki Steel	18.8m	382	+ 9	Sumitomo Chem	7.20m	839	—
Sumitomo Heavy Ind.	16.80m	428	+ 38	Tokyo Rope	7.08m	755	+23
Hitachi Ltd	9.87m	1,198	+ 30	Koito Mfg	8.83m	1,220	+30
Nippon Zeon	9.90m	1,229	+118	Matsushita Elec Ind	8.75m	2,130	+69

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¾	AAR s	.36	2.2	15	444	16⅝	15⅝	16½	−⅛
32½	13¾	AFG s	.16	.7	8	1838	23½	23¼	23¼	
27	10½	AGS s			12	305	14⅜	14	14⅛	
10½	6½	AMCA				2	6½	6½	6½	−⅛
9⅜	3¾	AM Intl			49	1230	5⅝	5¼	5⅜	−⅜
55½	23⅝	AMR			9	3678	32⅜	30⅛	30⅞	+⅛
12¼	6⅞	ARX s			7	112	7½	6⅞	7	
73½	35⅞	ASA	2a	3.8		2300	54¾	51¾	53⅛	+1½
22⅞	9½	AVX			16	145	12¼	12	12¼	+¼
67	40	AbtLab	1	2.3	17	3171	44¼	43⅝	43⅝	+½
28	15⅝	Abitibi g				94	18¼	17¾	18¼	+½
16¾	8½	AcmeC .40		4.2	14	447	9⅞	9⅝	9⅝	+⅛
10½	6⅞	AcmeE .32b		4.5	25	8	7¼	7⅛	7⅛	
20	14⅞	AdaEx 3.34e		21.		202	16¼	15¼	16¼	+⅞
19½	7¾	AdmMl s .24		3.0	6	102	8⅝	7⅞	8⅛	−⅛
35	15⅜	AdvSys			16	160	24⅞	24½	24¾	+½
24⅞	8¾	AMD				1944	9½	8⅞	9	−¼
55¼	29½	AMD pf	3	10.		133	29⅞	29⅝	29⅝	
11⅞	4⅝	Adobe				235	5⅛	5	5⅛	
21⅞	17	Adob pf 2.40		12.		3	20¼	20¼	20¼	+¼
15	6⅛	Advest .12a		1.5	6	x95	8	7⅝	7⅞	
66¼	42⅞	AetnLf 2.76		6.2	6	2534	45⅝	44⅝	44⅞	+⅜
83½	33¼	AfilPb s .32		.7	7	344	44¼	43¾	43⅞	
25⅞	13⅜	AhmanS .88		6.5	6	1565	13⅞	13⅝	13⅝	+¼
5⅜	1¾	Aileen				77	2½	2¼	2⅜	
52⅞	29	AirPrd	1	3.0	12	1142	34¼	33	33	−¾
36	11½	AirbFrt .60		4.7	8	241	13⅛	12¾	12¾	−⅛
16½	7⅝	Airgas n			13	33	9⅜	9⅛	9⅛	+⅛
19½	13½	AirleaseE.11e		13.	9	44	16¼	16	16⅛	+⅛

Continued on Page 51

NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

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X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.9	11	2572	52⅝	50¾	50¾	−2¼
58¼	52½	Xerox pf5.45		10.		18	53½	53	53	−¼
31½	18¾	XTRA	.64	3.0	14	51	21⅝	21½	21½	−¼
25¼	19½	XTRA pf1.94		9.7		21	20⅛	19¾	20	−¼
33⅞	16⅛	Yorkin			9	72	21¾	21	21⅛	−⅜
7¼	2⅜	Zapata				467	3¼	2¾	2¾	−½
37	14⅝	Zayre	.40	2.5	6	2783	16¼	15⅛	15¾	
16⅛	9¼	Zemex	.40	4.0	9	x2	10	10	10	+⅛
33⅝	10	ZenithE				538	14¼	13⅞	14⅛	+⅜
13½	3	ZenLab				848	3¾	3½	3½	−¼
28½	13½	ZenNtl	.80	4.8	8	117	16¾	16⅝	16⅝	−¼
29⅝	11⅜	Zero	.36	2.9	12	269	12¾	12½	12½	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

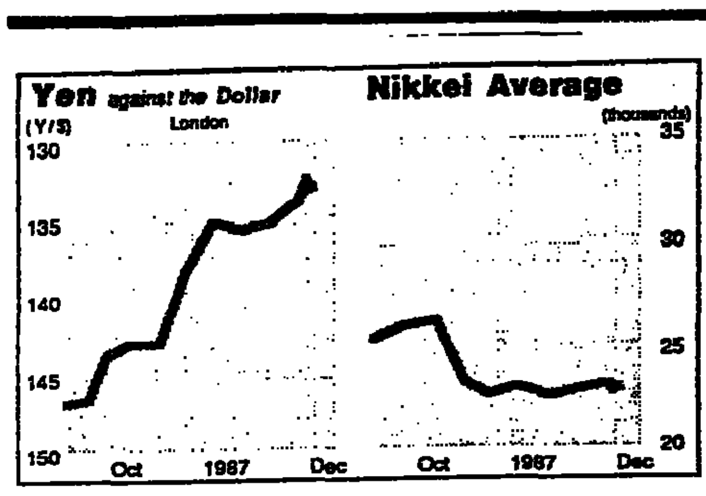
Nasdaq national market, closing prices

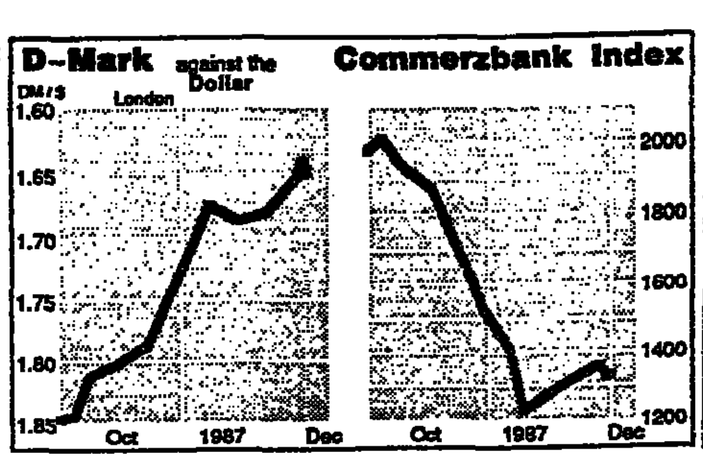
[illegible]

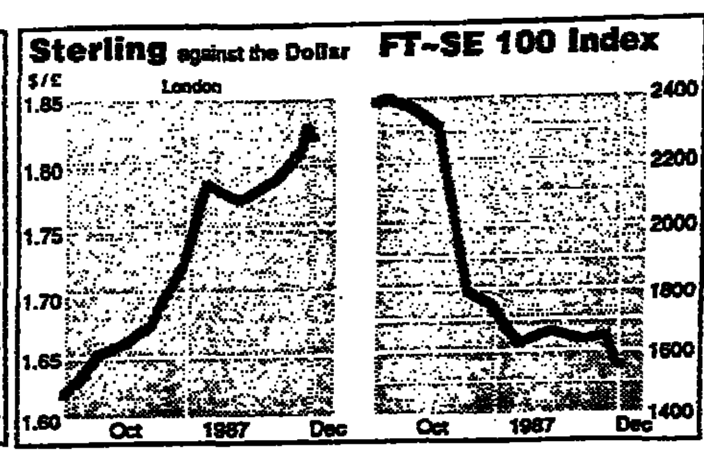
Continued on Page 49

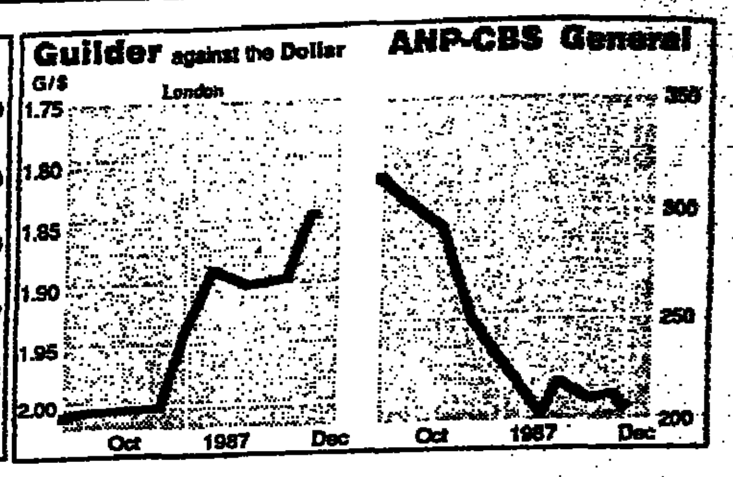
FINANCIAL TIMES

Financial Times Wednesday December 2 1987









AMERICA

Dow advances warily on heels of volatile dollar

TAKING their cue from the overnight recovery in the dollar, share prices yesterday managed to recover a small proportion of Monday's substantial losses but the mood remained acutely nervous, *Janet Bush writes in New York.*

The index of blue-chip stocks, the Dow Jones industrial average, ended the day up 8.79 points at 1842.34 on slow volume of 150.4m shares. Of the broader market averages, only the American Exchange composite was down, as advancing stocks just outnumbered those falling in price.

Share prices closely tracked the dollar. An opening recovery of 30 points soon lost steam as renewed selling put pressure on the dollar. By midmorning, the dollar was once again trading below DM1.65 and Y133 and was testing 1.82 against sterling.

But the dollar later recovered on concerted support by several European central banks, as well as dollar purchases by the Bank of Japan. The US Federal Reserve seems to be keeping a closer eye on the foreign exchange market than in recent weeks but it did not appear to have been actively supporting the dollar.

While the Fed is absent from dollar support efforts, there is some scepticism that the US currency can hold stable. Concern about policy towards the dollar continues to undermine sentiment in both equity and bond markets.

US Treasury bonds turned lower yesterday as the equity market recovered some of Monday's losses. The Treasury's 8.875 per cent 30-year bond issue stood nearly ¼ point lower at the end of the day, yielding 9.122 per cent.

Traders were cautious, partly because of volatility in the dollar and stock prices but also because of speculation that the Bundesbank may announce a cut in its discount rate on Thursday. The market is also awaiting the latest figures for US unemployment due to be released on Friday.

Yesterday's news of a 0.2 per cent fall in US leading indicators in October was close to forecasts and had little lasting impact although the dollar and bond prices seemed to dip briefly after the release.

There is a high degree of uncertainty about near-term prospects for equities although the market's resistence on Monday to a fall much below the 1,800 level had inspired some confidence.

Ms Gail Dudack, technical analyst at Warburg Securities in New York, believes the equity market is gradually regaining its health. She argues that, in the longer-term, the market would benefit from a further fall in values which would provide a stronger technical basis for a more lasting recovery.

IBM had recovered $⅝ to $111½ by midsession, recouping a small portion of Monday's $3½ fall and Proctor and Gamble was up $⅝ at $81¾ after a $3¾ decline on Monday.

Merck, which announced earlier this week it was selling its South African unit to Barlow Rand Ltd, was trading ex dividend, down $⅝ at $168⅜.

Canada

STRONG GAINS in golds and mines took stocks in Toronto higher, although mixed performances by banks and industrials reined in the early rally.

Golds showed a broad advance, with Lac Minerals rising C$⅝ to C$13⅞, International Corona gaining C$1 to C$58½, Echo Bay moving ahead C$1½ to C$32¾ and Giant Yellowknife rising C$½ to C$24¼.

Energy issues were mixed.

Sydney left in dark by computer failure

By Chris Sherwell in Sydney

AUSTRALIAN stock markets were hit by a crash of a different kind yesterday when the computer system showing the exchange's transactions failed, leaving investors and brokers "blind" for most of the trading session.

The incident happened on a day when the markets were awash with rumours of a possible takeover bid for Elders IXL, the brewing and agribusiness group, by Broken Hill Proprietary (BHP), Australia's largest company.

At the same time there were suggestions that Mr Robert Holmes a Court's Bell Group had sold its 16.6 per cent holding in Pioneer Concrete Services, which on Monday picked up a large stake in a resources company from the troubled Ariadne group.

The rumours all pointed to an early resolution of the complicated triangular relationship between BHP, Elders and Bell, which currently dominates market thinking.

As matters transpired, none of the talk was borne out. Elders, questioned by the Adelaide Stock Exchange, said it had received no notice or information which would substantiate the rumours.

BHP, too, said it was unaware of any takeover offers relating to Elders. Elders was nonetheless one of the most heavily traded shares, with 3.4m changing hands. Its share price rose against the trend, gaining 20 cents to finish at A$3.45.

BHP rallied from a poor early performance to finish just 2 cents lower at A$7 as more than 1m shares changed hands. Bell Group lost 10 cents to A$1.90.

Once the computer recovered *late in* the trading day, it was clear that the market had mostly followed the weakening trend displayed by New York and London the day before, though perhaps less closely than if the hardware had been working.

The All-Ordinaries index, covering 325 stocks across all sectors, fell 23.8 points to 1,304.9. But only 74m shares were traded in one of the thinnest days since the market collapse last month.

The decline was also the first reverse in 10 days, although the market is still well clear of the post-crash low point of 1,150.5, reached on November 11. Shares hit their peak on September 21, reaching 2,305.5.

Elsewhere in industrials, News Corp fell 20 cents to A$10.30 after hitting a low of A$10. Adsteam was off 10 cents at A$4.60 and FAI also shed 10 cents to A$5.60, while Westpac ended 15 cents easier at A$4.50.

Mining stocks gave a mixed performance, with some golds showing gains thanks to the firmer bullion price

EUROPE

Banks' action provides mild boost

CENTRAL BANK intervention to support the dollar provided some welcome relief in Europe yesterday although the mood remained wary and trading very thin.

FRANKFURT began strongly thanks to the dollar and the West German Government's moves to boost economic growth. But a lack of follow-through buying left the market off its highs in uncertain trading.

The Commerzbank index showed a midsession gain of 3.1 to 1,325.7 and the Boersen-Zeitung index at the close was 1.99 higher at 277.

The mild gains were also attributed to optimism that the Bundesbank would cut the discount rate at its meeting tomorrow.

Blue chip exporters benefited from the stimulus of the dollar, *with electronics stock Siemens* adding DM1.50 to DM374, while Daimler put on DM5.50 to DM628.50 and BMW rose DM10.50 to DM425.50 in the car sector.

Banks were mostly firmer, with Commerzbank up DM2.80 to DM217.80 and Dresdner gaining DM2 to DM227. However, Deutsche Bank shed DM7.50 to DM405.50 in advance of today's results.

Bonds were lower in quiet trading. The Bundesbank bought DM123.1m worth of paper after selling DM108.6m on Monday.

The Association of German Bourses said share turnover was nearly halved in November after October's extreme volatility, falling to DM51.8bn from DM96.6bn the previous month.

Average daily share volume fell to the lowest level since the association began compiling statistics at the start of the year, dropping to DM2.6bn in November from DM4.4bn in October.

AMSTERDAM rose as the firmer dollar encouraged bargain-hunters to pick up selected cut-price shares after recent falls.

The broad-based CBS tendency index rose 1.6, or 2.6 per cent, to 63.4 and the ANP-CBS index edged up 0.2 to 206.2.

In blue chips, Unilever closed up Fl 1 at Fl 99.80, while Philips also added Fl 1 to Fl 29.40. KLM rose Fl 2.20 to Fl 27.70 and Akzo advanced Fl 3.50 to Fl 85.50.

PARIS remained wary of the dollar's rocky climb which undermined a midsession attempt to rally and left share prices lower at the close. The CAC index was down 4.1 at 288.8.

Leading blue chips were mostly lower, except Elf Aquitaine which gained FFr11.50 to FFr245 and Cie du Midi which rose FFr14 to FFr924.

Peugeot lost FFr21 to FFr950, Paribas was down FFr3 to FFr308.50 and Lafarge dropped FFr12 to FFr1,142.

ZURICH received a boost from European intervention to support the dollar, lifting share prices after a weak start. The Credit Suisse index added 3.8 to 434.7 as industrials and holdings picked up.

News that arms maker Oerlikon-Buehrle won a big US order for its anti-aircraft system added to the positive market atmosphere. Trading in Buehrle was suspended after the share advanced more than 10 per cent to SFr1,300.

Among industrial blue chips, Jacobs-Suchard rose SFr25 to SFr7,950 and Sandoz added SFr600 to SFr12,400.

BRUSSELS slid to a low for the year as the cash market index dropped 71.65 to 3,685.86.

Increasingly preoccupied with the forthcoming general elections, operators were hesitant to open fresh positions and turnover was slim.

In blue chips, Petrofina lost BFr150 to BFr8,860 after a BFr240 fall the previous day, chemical Solvay dropped BFr300 to BFr9,500 and Gevaert fell BFr90 to BFr5,960.

Reserve, the share of Societe Generale de Belgique, rose BFr5 against the trend to close at BFr2,280.

STOCKHOLM had a day of see-saw trading which turned a firmer opening into a slightly lower close. Dollar uncertainties undermined early efforts to rally and the Affaersvaerlden index slipped 0.1 per cent to 648.2.

Among blue chip engineering shares, Volvo rose SKr1 to SKr273, Ericsson fell SKr10 to SKr158 and Electrolux shed SKr8 to SKr201. Asea, a heavy engineering group, rose SKr2 to SKr264 and Saab-Scania added SKr5 to SKr150.

In the forestry sector, SCA declined SKr4 to SKr228, Stora moved down SKr1 to SKr288 and MoDo slipped SKr2 to SKr263.

OSLO turned mixed as the steadier dollar helped to allay fears about a drop in North Sea oil revenues. The all-share index inched up 0.80 to 251.79 in moderate trading.

Oils, heavy losers in recent sessions, climbed, with Saga Petroleum adding NKr3 to NKr80 while Norsk Hydro was unchanged at NKr136.

MILAN declined after Monday's fall on Wall Street sparked a broad sell-off.

The MIB index was down 1.9 per cent at 719 but most issues *recovered in after-hours trading.*

Insurers and banking stocks saw the heaviest losses while blue chips were modestly lower.

MADRID fell back as the liveliest sector, banks, succumbed to heavy profit-taking after recent advances. The general index lost 4.75 to 211.54 in very thin trading.

HELSINKI slipped lower in dull trading. The Unitas all-share index dipped 0.6 per cent to 575.4.

London

UK equities moved erratically as the dollar wavered and firmed. The market started well as London anticipated a rally on Wall Street.

However, equities slipped towards the close, leaving the FT-SE 100 Index with a net loss of 1.4 at 1,578.5.

The FT Ordinary index slipped 1.1 to 1,249.8.

Government bonds opened easier and some profits were taken by retail houses in sluggish turnover.

Long-dated issues showed losses of half a point or so, with the mediums down by a smaller amount.

SOUTH AFRICA

GOLD SHARES lost a good part of Monday's sharp gains in quieter trading in Johannesburg yesterday, with industrials steady to weaker.

The composite index shed 51 to 1,875.

Gold losses included Vaal Reefs, which fell R25 to R360, wiping out half of Monday's gain. Driefontein was R4 lower at R40.50 and Randfontein lost R8 to R297.

Mining financials followed the trend, with Anglo American off R2 at R62.50 and Gencor down R2.50 at R52.50. Diamond stock De Beers was 75 cents easier at R30.75.

Industrials saw leader Barlow Rand off 25 cents at R21.25 and South African Breweries unchanged at R16.25.

ASIA

Institutions step in to support NTT and steels

A SHARP RALLY in Nippon Telegraph and Telephone (NTT) shares helped lift the entire Tokyo stock market yesterday, taking the Nikkei average upwards for the first time in four sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The 225-issue Nikkei stock average gained 146.11 to 22,832.89, but volume remained light at 413.54m shares. Advances narrowly outnumbered declines by 432 to 421, with 150 issues unchanged.

The market tumbled 385 points in early trading after the dollar's slide below Y132 in overseas trading and as a result of overnight falls on the New York and London stock markets.

By mid-morning, prices began to turn upwards as investment trusts and other institutional investors bought large-capital and high-tech stocks. Interest *gathered momentum as trust* banks and life insurance companies joined the buying.

The FT's daily listing of Japanese stocks has been expanded to cover almost 300 issues, starting with today's edition.

High-techs rebounded sharply almost across the board: Hitachi, recouped its Y30 loss on Monday to close at Y1,190 and Matsushita Electric Industrial, which lost Y50 the previous day, advanced Y60 to Y2,130. NEC Corp. strengthened Y40 to Y1,920 and Sony Corp. climbed Y180 to Y4,880.

NTT firmed Y40,000 to Y2.52m, the first rise in five trading days after a loss of Y40,000 the previous day. But it still closed lower than its second tranche selling price of Y2.55m.

Large-capital steels and shipbuildings also bounced back in late trading. Nippon Steel remained the most active stock, with 30.59m shares traded, and ended Y6 higher at Y434 after dropping Y7 at one stage. Kawasaki Steel gained Y9 to Y352 and Nippon Kokan rose Y9 to Y336.

Smaller-capital stocks also attracted some interest. Nippon Zeon, the fifth busiest stock with 9.09m shares, surged Y110 to Y1,220 on investor appraisal of its development of a drug for the diagnosis of AIDS (Acquired Immune Deficiency Syndrome).

Bonds moved in a wide range in moderate trade. The Bank of Japan conducted a *gensaki* buying *operation in government* bonds under resale agreements expiring on April 1 next year, while the Ministry of Finance invited bids for Y500bn in 20-year government bonds.

The yield on the 5.0 per cent government bond maturing in December 1997 plunged from Monday's 4.730 per cent finish to 4.560 per cent, after rising marginally to 4.745 per cent at one stage.

On the Osaka Securities Exchange, the OSE stock average closed 34.08 lower at 22,943.81, on a volume of 56.47m shares, up 21.63m shares from the previous day.

Hong Kong

SET BACK by Monday's plunge on Wall Street, blue chip utility and property stocks posted moderate losses, setting the tone for a weaker session.

The Hang Seng index closed 29.84 lower at 2,108.55, pulled off earlier lows by the more stable dollar and support from local investors.

Among property shares, Sun Hung Kai Properties fell 5 cents to HK$8.25 and Hongkong Land lost 25 cents to HK$6.95.

Commercial and industrial issues were modestly lower.

Singapore

SELLING, notably by foreign investors, continued to drag share prices sharply lower as the market remained bearish, taking little heart from Tokyo's late rise or signs of stability in the dollar.

The Straits Times industrial index lost 20.75 to 779.26, its lowest level since Black Monday, in lacklustre trading.

Blue chips and quality stocks were big losers, some posting double-digit falls. JC Enterprises plunged 40 cents to 90 cents, National Iron dropped 30 cents to S$4.46 and Singapore Press declined 25 cents to S$6.65.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 1 1987					MONDAY NOVEMBER 30 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	99.18	-2.7	80.81	93.74	4.39	101.90	82.74	95.87	180.81	85.80	92.55
Austria (16)	93.47	-1.3	76.16	80.05	2.62	94.72	76.91	80.49	102.87	85.53	96.14
Belgium (48)	98.31	-2.9	80.10	84.25	5.70	101.19	82.16	85.85	134.89	96.19	96.75
Canada (127)	102.98	+0.1	83.91	97.95	3.18	102.89	83.54	97.42	141.78	98.15	100.29
Denmark (38)	112.08	-1.6	91.32	96.99	3.06	113.95	92.52	98.14	124.83	98.18	98.32
France (120)	84.66	-1.0	68.99	74.54	3.70	85.55	69.46	74.89	121.82	77.39	100.12
West Germany (93)	75.55	-0.3	61.56	64.77	2.96	75.77	61.52	64.60	104.93	68.91	98.02
Hong Kong (46)	82.01	-1.3	66.82	81.77	5.99	83.08	67.45	82.85	158.68	75.82	95.88
Ireland (14)	100.27	+0.2	81.70	87.59	5.20	100.05	81.24	87.05	160.22	96.20	93.27
Italy (94)	79.50	-2.3	64.78	72.23	2.66	81.38	66.07	73.66	112.11	72.04	96.61
Japan (457)	139.03	-0.2	113.29	116.84	0.60	139.26	113.07	116.60	161.28	100.00	93.73
Malaysia (36)	101.03	-1.5	82.32	97.01	3.78	102.54	83.26	98.14	193.64	98.24	99.85
Mexico (14)	119.59	+3.6	97.45	310.54	0.97	115.44	93.73	297.23	422.59	99.72	94.68
Netherland (37)	94.01	+1.5	76.60	79.57	5.68	92.63	75.21	78.01	131.41	87.70	99.81
New Zealand (20)	78.56	-3.4	64.02	64.26	5.23	81.35	66.05	66.62	138.99	75.99	91.80
Norway (24)	101.56	+0.0	82.75	88.39	3.10	101.60	82.49	88.08	185.01	96.03	102.20
Singapore (27)	92.05	-3.0	75.01	86.00	2.79	94.91	77.06	88.35	174.28	90.19	99.56
South Africa (61)	145.28	-0.4	118.38	94.81	4.47	145.90	118.46	96.66	198.09	100.00	103.00
Spain (43)	120.53	-3.1	98.21	101.35	4.07	124.38	100.99	103.98	168.81	100.00	92.09
Sweden (34)	93.91	-0.6	76.52	82.96	2.76	94.52	76.74	83.25	136.64	88.50	97.55
Switzerland (53)	80.37	-0.4	65.49	67.29	2.48	80.70	65.52	67.29	111.11	73.65	97.62
United Kingdom (332)	117.23	-0.4	95.53	95.53	4.85	117.72	95.58	95.58	162.87	99.65	94.72
USA (582)	94.66	+0.7	77.13	94.66	3.89	94.01	76.33	94.01	137.42	92.83	105.18
Europe (946)	97.10	-0.7	79.12	81.77	4.14	97.79	79.40	81.98	130.02	92.25	96.67
Pacific Basin (675)	135.34	-0.3	110.28	114.67	0.81	135.72	110.19	114.56	159.77	100.00	93.76
Euro-Pacific (1621)	120.08	-0.4	97.84	101.54	1.89	120.58	97.90	101.56	143.65	100.00	94.91
North America (709)	95.10	+0.7	77.49	94.86	3.85	94.48	76.71	94.22	137.55	93.20	104.92
Europe Ex. UK (614)	84.62	-0.9	68.95	73.27	3.52	85.42	69.36	73.57	111.97	78.89	97.89
Pacific Ex. Japan (218)	90.78	-2.3	73.98	86.34	4.85	92.90	75.43	88.12	164.03	83.17	94.16
World Ex. US (1823)	119.75	-0.4	97.58	101.51	1.96	120.23	97.62	101.54	143.38	100.00	95.19
World Ex. UK (2073)	109.34	+0.0	89.10	99.62	2.36	109.34	88.78	99.38	138.82	100.00	99.51
World Ex. So. Af. (2344)	109.80	+0.0	89.47	99.18	2.59	109.84	89.18	98.95	139.47	100.00	99.05
World Ex. Japan (1948)	96.15	+0.1	78.34	90.13	3.99	96.10	78.02	89.94	134.22	95.64	101.64
The World Index (2405)	110.03	+0.0	89.66	99.18	2.60	110.07	89.37	98.97	139.73	100.00	99.07

Base values: Dec 31, 1986 = 100

Latest Swiss prices were unavailable December 1.

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SECTION III

FINANCIAL TIMES SURVEY

Governing the country is a complex coalition including the King, former military chiefs and elected politicians who have maintained a controlled if fractious democracy. Economically, Thailand is on a steady path of growth but much depends on a world-wide recession being avoided, says **Stewart Dalby**

Treading the right path

Thailand

WHEN KING Bhumibol Adulyadej starts his 60th birthday celebrations in a few days' time, he will be able to reflect that rarely in his long reign of more than 40 years can the monarchy have seemed so secure, his country of 55 million subjects so politically stable and apparently so economically flourishing.

The Government has had the same Prime Minister in Mr Prem Tinsulanonda for almost eight years. Like so many of his predecessors he is an ex-General. The military have run Thailand for most of the period since the absolute monarchy was ended in 1932 although there have been short periods of civilian rule.

During this time the military have had nine successful coups against one another and numerous unsuccessful ones.

A major difference between Mr Prem's stewardship and those that went before is that it is linked to a controlled if fractious democracy. The lower house of the National Assembly is elected in relatively free polls, although the widespread practice of vote buying at elections makes them expensive for the politicians.

While the franchise is not as broad as might be found in some western European countries, it nevertheless seems representative enough, for the present at least, to keep important political groups like the large student body, who have been catalysts of change in the past, off the streets.

Equally important, this complex coalition which includes the King, former military men and elected politicians seems to have found the right formula for keeping the active military in their barracks.

Economically, the country is likely to achieve a GDP growth of 7 per cent this year, and seems set fair, if there is no severe world wide recession, to maintain this kind of performance until the end of the decade.

Thais now have a per capita income of $900, still only half of what it is in neighbouring Malaysia and only one seventh of that in Singapore. Nevertheless it is growing rapidly and moreover the figures mask some wide regional discrepancies.

This economic buoyancy has been fuelled by a policy of export-led growth. The exports apart from tourism, which has long been a money spinner, are mostly in light manufactures.

Over 50 per cent of the country's exports are now manufactured goods, whereas a few years ago 80 per cent of export earnings came from a few primary commodities like rice, rubber and tin.

The visitor to Thailand is constantly being regaled with success stories of manufactured exports or value added agri-industries.

Such has been the flow of investment into such concerns, not just locally but also from countries such as Japan, where companies have been driven offshore by the high price of the yen and protectionist fears, that Thailand is now being described as the next Taiwan.

With a gross national product of around $45bn Thailand has some way to go before it catches up with Taiwan or Korea. But some officials are convinced that their country will soon be recognised as the latest member of the newly industrialised country club.

It is all a sharp contrast to the situation just over 10 years ago. Then, Thailand had major communist insurgency in the north east of the country and it was being flooded with refugees as a result of the ending of the wars in Indochina in 1975. These were pouring in not only over the land border with Kampuchea but also arriving by the boatload from Vietnam on the southern beaches.

It seemed possible that the victorious Vietnamese would sweep through Kampuchea and without pausing for breath brush aside the smaller, less well-equipped Thai army and overrun Bangkok. These fears though they might seem fanciful now were very real at the time.

The Vietnamese did later overun Kampuchea, but they stopped at the Thai borders. A Vietnamese takeover of Thailand now seems almost inconceivable. The refugees have not all gone, but the incoming tide has receded.

In the mid-1970s, too, Thailand ran into economic problems. Some 80 per cent dependent on imports for its energy, the country was hit hard by the first oil shock of 1973-74. This together with the declining prices for its commodity exports meant a balance of payments problem developed, and for the first time in its modern history Thailand began to get heavily into debt.

In turning the situation around, the Thais as so often in their history have had a certain amount of luck.

The civilian government of 1973-76 decided at the tail end of its chaotic period of rule to ask the US to remove its bases. It seemed foolhardy at the time, but subsequently proved a shrewd move in that it helped smooth relations with China.

However, it has been the establishment of political stability, and the apparent durability of Mr Prem's premiership, which has laid the foundations for Thailand's economic boom.

The private sector in general, and the Chinese business class in particular, have been able to capitalise on this stability in building up light industry. The Thais have been particularly good in assimilating their Chinese minority. They are allowed full citizenship rights, and often have Thai names. The Chinese business community are recognised as a major asset, unlike in other countries in the region where they are persecuted, and excluded from business.

Also Thailand was never a colony of any of the great powers, so the Thais have no hang-up about their identity when it comes to dealing with foreign investors.

The industrialisation process could easily become undermined, however, if the political arrangements collapse - and these could be more more fragile than they appear.

Although the politicians are surrounded and hedged in by military men - the prime minister is non-elected as are his five deputies - they still manage to be fractious enough and difficult enough to threaten to bring the whole structure down. There are 13 parties in the lower house, four of which form the Government. They are all based around personalities and any ideological differences are not visible to the naked eye.

They seem constantly to be squabbling, organising censure motions and blocking Bills, so much so that Mr Prem has occasionally hinted at dissolving parliament, although the next elections are not due until 1990. The problem here is that there is no guarantee that under the current electoral rules fresh elections would return a parliament which is any more manageable.

Imperfect though they are, Mr Prem is stuck with the politicians. Any attempt to dispense with them would look like a return to the outright military dictatorships at the start of the 1970s and earlier.

There is no evidence that that would be more acceptable today than it was in 1973, at the time of the great student revolt, which led to the overthrow of Marshal Thanom Kittikachorn.

General Chaovalit Yongchaiyuth, the present army chief, who is often tipped as the next Prime Minister if the 67-year-old Mr Prem decided to step down, is constantly muttering criticisms about the politicians, presumably in an effort to keep them in check.

Another area of concern is the role of king. An extremely popular and revered man - although some forms of lese-majeste can lead to stiff jail sentences - he will have been the longest reigning monarch of the Chakri dynasty by the middle of next year.

However, there are some doubts about the succession. The Crown Prince Maha Vajiralongkorn was considered a playboy in his youth, and it seemed as if the king wanted his middle daughter Princess Maha Chakri Sirindhorn to succeed him.

Recently, however, Prince Maha has been behaving in a much more conventionally royal fashion, opening hospitals, and looking at rural development projects. He may well have returned to his father's favour.

Mr Mechai Viravaidya, a government spokesman says he feels that there is no chance that the king will abdicate.

His continued rule would clearly be the preferred option of most of his subjects. The king's approval is necessary in most major decisions

In the longer term, Thailand faces problems from the unevenness of its development. The concentration of industry in Bangkok has meant great disparities in wealth distribution. Incomes in the impoverished northeast are put at $300 per capita while in Bangkok they are said to be $2,500. It is in order to try avert friction because of these differences as well as possibly to prepare the ground for a run at the premiership that General Chaovalit has engaged the armed forces in a 'green' programme for the north east. This consists of rural projects in water and health and in construction.

It seems unlikely that Thailand will, in fact, become another Taiwan or Korea because it is studiously avoiding big, capital-intensive industry.

Even if it is to develop as a light industrial manufacturer it will need to reform agriculture, since this sector is relatively inefficient and still accounts for 65 per cent of employment, although contributing only 25 per cent of GDP. It will also need to broaden the base of its industry away from the emphasis on exports.

Nevertheless, if the political coalition holds, and the world does not tip into bad recession, the country should continue on its growth path and do better than its immediate neighbours.

CONTENTS

Economy

Growth rate points to prosperity

"WE ARE entering a golden age in Thailand," Dr Olarn Chaipravat, vice president of the Siam Commercial Bank is fond of telling visitors.

The latest statistics suggest that he may be right. Growth in gross domestic product this year is generally put at 7 per cent in real terms, a level which seems set to continue for the rest of the decade, despite fears of a worldwide recession and sluggishness in the agricultural sector.

Per capita income is also likely to rise by some 7 per cent this year. The birth rate after an intensive campaign has fallen to 1.6 per cent compared with 3.2 per cent in the 1960s.

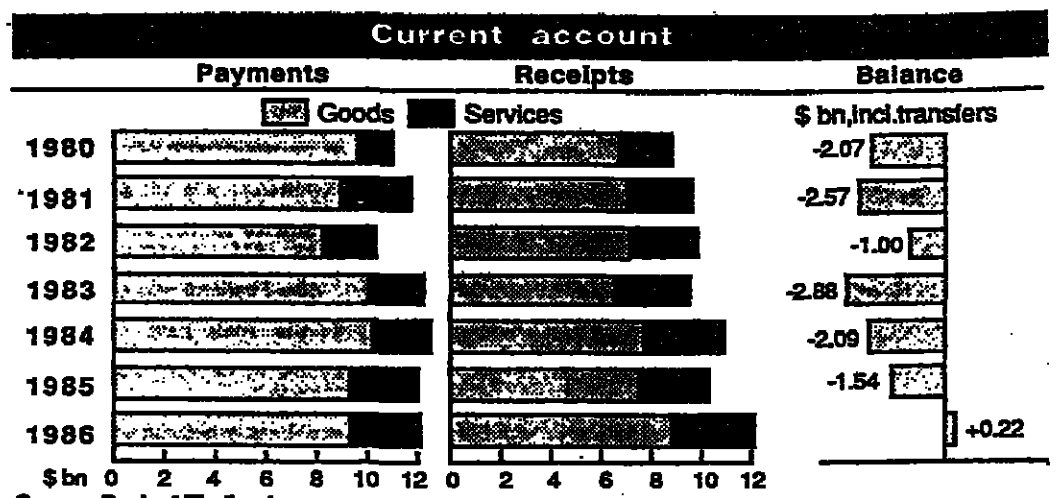
At $900, per capita income is about half of what it is in neighbouring Malaysia, and just one seventh of that in Taiwan, but the overall figure does mask some sharp discrepancies. In the impoverished northeast personal income is put at $300 per head, while in Bangkok it is said to be $2,500.

Thailand is beginning to match the high growth rates it attained in the 1960s and early 1970s, but from a larger base and on a very different basis.

Then the country achieved growth on the tail of post Korean war commodity boom. Exports of rice, tin and rubber rose steadily in volume and value terms. In addition there were service earnings through tourism, which were augmented by a large US presence in the form of bases, as well as official US aid.

This cosy world of balance of trade and current account surpluses came to an abrupt end in the 1970s with the end of cheap energy. When the first oil shock broke in 1973-74, Thailand imported more than 80 per cent of its energy needs.

By the end of the decade after the second oil shock of 1979, the country was beginning to borrow heavily and not just for long-term infrastructural projects.



Source: Bank of Thailand

The early 1980s found Thailand therefore with its balance of payments under pressure, with low growth and lots of debt.

Several factors, some of them good luck, others involving tough decisions contrived to improve the situation. First came relief on the energy front. In the mid-1970s Thailand discovered large gas reserves in the Gulf of Siam. It means that the country is now only 50 per cent dependent on imported energy.

The second favourable development was the decline in interest rates. This resulted from the better international conditions and the global trend towards lower rates as well as a better liquidity situation locally because of the improvement in the current account.

Inter-bank rates fell from an average of some 15 per cent in 1985 to around 7 per cent last month. The Bank of Thailand's prime lending rate is 8 per cent.

The third and probably most important factor was the fall of the baht against the yen and major European currencies. In November 1984 the Thais, in order to give their exports more competitive edge, devalued the baht by 14.9 per cent against the dollar.

This was a courageous decision to take since at the time Thailand had well over $10bn of debt, most of it in the private sector. At a stroke the servicing of this debt became more expensive.

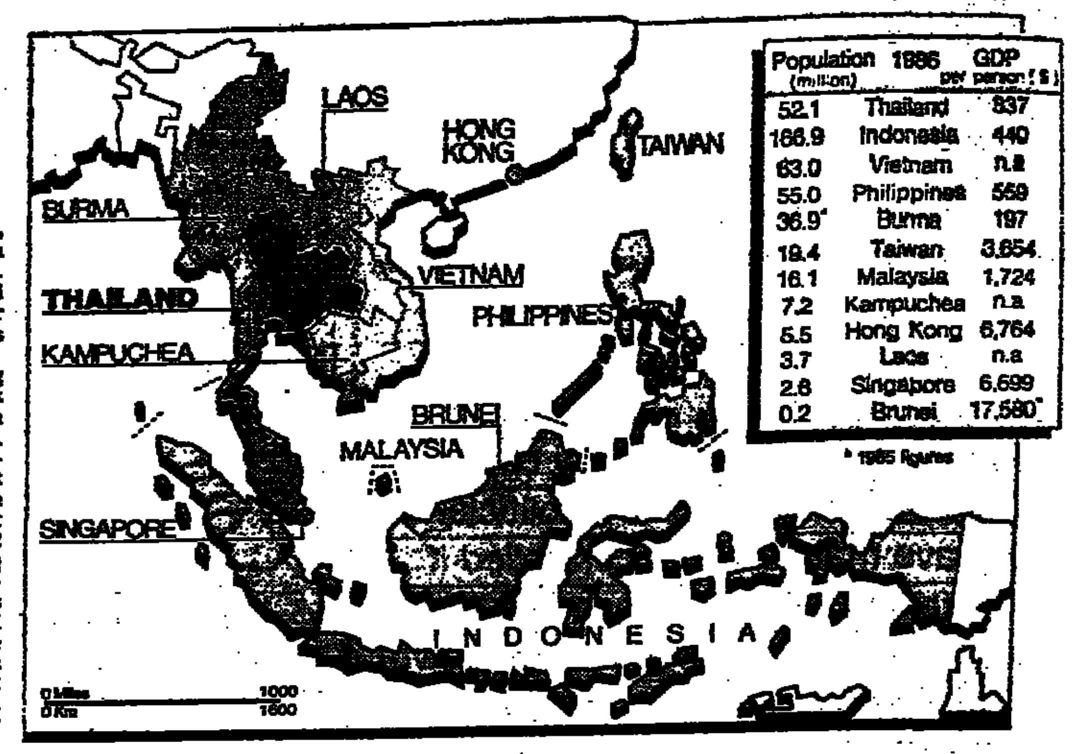
The baht has historically been tied to the dollar. Now it is linked to a basket of currencies in which the dollar is thought to have a weighting of over 80 per cent.

The devaluation of the baht coupled with the decline of the dollar against the yen and west European currencies had beneficial effects for Thailand. It gave a further boost to tourism. It made imports more expensive, but above all it has given a huge boost to exports of manufactured goods. It is these exports which have been behind the growth in the economy, since in the past couple of years the agricultural sector has actually declined, or stood still.

The rapid growth in light, labour-intensive manufacturing industry is documented elsewhere in this survey. Overall at the end of last year out of total visible exports of Baht 228bn (£5.7bn) manufactured goods probably accounted for over 50 per cent, and agriculture over 40 per cent of the total depending on how agricultural goods were defined. Agricultural export figures often include value added agri-products like tinned pineapples which perhaps should be categorised as manufactured goods.

With services, notably tourism contributing a further Baht 25bn (£625m) and imports dropping because of high prices and a lack of investment activity domestically, Thailand actually enjoyed a surplus on its current account, the first for some time, albeit a small one of Baht 5.7bn (£145m). Inflation because of a depressed incomes in the farming sector and lack of costly imports dropped to 1.9 per cent.

The foreign debt is looking more manageable as well. At $14.2bn debt servicing has fallen to 16 per cent of export earnings. Dr Siri Ganjarerndee, the Director of the Governor's office at the Bank of Thailand, said "We were worried in 1985 when debt repayments became as high as 22 per cent, but they are coming down very well now." He envisages that they will fall further as exports rise, probably to around 13 per cent at the end of the decade even though debt is scheduled to rise to around $14.9bn. Of the current total some $9bn is private and over $5bn is public borrowing



Exports which have been increasing at rates of nearly 20 per cent in some years look set to repeat this kind of performance this year. As economic activity picks up, however, imports will probably also rise, and the balance of payments surplus on current account will probably disappear this year. Inflation is forecast to rise to around 3.2 per cent.

None of this unduly concerns the authorities, but some important technocrats like Dr Phisit and his immediate superior Dr Snoh Unakul, the Secretary-General of the NESDB, men who have the ear of the prime minister are beginning to think about the potential long-term problems.

One problem has been the persistent investment and savings gap. Savings have been running at some 18 to 19 per cent of GDP while investment has been as high as the 25 per cent of GDP mark. The borrowings have now dropped and savings have picked up but years of low investment has meant that bottlenecks have developed in the infrastructure of the economy.

One of the biggest savings problems lies with the state sector. Although the government plays a comparatively small role in the economy - government expenditure is only 16 per cent of GDP - the Government has run up persistent budget deficits of 3 to 5 per cent of GDP. These deficits have been loan financed. It is not so much that the Government has been hopelessly profligate but that revenue collection particularly of personal taxes has been appalling.

The Government has promised to close the deficit in stages to 2 per cent of GDP and also to improve tax collection. Nevertheless, the damage has been done to some extent as the Government finds itself short of funds for important infrastructural projects like the Eastern Seaboard Development Plan. It has to rely on the private sector to develop these long-term capital intensive projects.

Unfortunately the private sector has shown more preference for the quick returns available in labour-intensive manufacturing concerns.

Once the euphoria of the export boom passes and and the shine goes off a weak currency, Thailand could be left with deep structural problems. Already the US is threatening to withdraw export privileges under the GSP if Thailand does not more scrupulously look at property rights, patents and copyrights. Dr Phisit feels that if the US succeeds in getting Taiwan and South Korea to revalue their currencies, pressure on Thailand will not be far behind.

There are great hopes that when the bloom goes off light industrial exports either because of currency revaluations or because wage costs rise through labour shortages, Thailand will be able to expand its services sector. Tourism will continue to grow and will be augmented by air cargo, and possibly industries like printing and financial services.

This may well happen but Thailand will need more than this if it is to realise its ambition to join the club of Newly Industrialised Countries.

Agriculture will have to become more efficient - some 65 per cent of the workforce is still on the land yet it accounts for less than 25 per cent of GDP - and it will need prices for agricultural products to pick up considerably. Or, if foreign investment disappears as easily as it arrived, then the country will need to develop a broader industrial base of self- sustaining local groups as in South Korea and Taiwan.

Thailand has proved itself adept in the past at meeting changed circumstances. There is nothing to say it won't be so again. In any event for the foreseeable future increased growth and prosperity seems likely.

Stewart Dalby

Foreign Investment

Skilled labour proves attractive

THAILAND HAS SUDDENLY become a favourite location for foreign investment.

Surveys suggest that Japanese companies driven to invest and manufacture offshore because of the high value of the yen are strongly favouring Thailand as one of the best prospects in Asia.

Taiwan, under pressure from the US to revalue its currency and fearful of protectionism in major markets, has also identified the country as a good bet for its labour intensive industries. The Taiwanese seem particularly interested in agri-industries, aquaculture, canneries and the like.

According to Mr Chira Panupal, the director of Thailand's Board of Investment, this enthusiasm is in part due to the shortcomings of some of its neighbours.

But Thailand's attractions go further than this. For the past eight years Thailand has had a stable semi-democratic government, loosely controlled by the military and presided over by the popular King Bhumibol Adulyadej.

The Thais have, in recent years been growing faster economically than any of their neighbours. They are a homogeneous race and, significantly, they have successfully assimilated their Chinese minority. Chinese are allowed full Thai citizenship and usually take Thai names. Hence the saying in Thailand, that there are 10 million Chinese or none at all depending on how you define them.

The Chinese are the dynamic business class, who are largely behind the boom in manufactured exports which has been responsible for economic growth. The Chinese and the Thais have greater cultural affinities than, say, the Chinese and the Malays.

Throughout its history Thailand has never been afraid of taking in foreigners and learning from them. There were the British advisers to the Thai kings in the 19th century, and today West Germans, Danes and Britons own restaurants bars and other businesses.

Importantly though, Thailand has never been a colony of any of the great powers, so the Thais have no problems of inferiority when dealing with foreigners. As Dr Chira puts it, "We deal with foreigners as equals." The Thais thus have a national self-confidence often lacking elsewhere in the region. They have political stability, social harmony and a buoyant economy, with inflation less than two per cent.

One further big attraction is the availability for the present at least, of a large pool of skilful cheap labour. Thailand is the size of France. It has a population of 55 million and a workforce officially put at 30 million. Some 65 per cent are currently engaged in agriculture, which means the official 7 per cent unemployment rate understates the case when rural underemployment is taken into account.

There are few trade unions. Probably less than 5 per cent of their workforce is unionised, and virtually all the unions are to be found in the public sector. There is a minimum wage stipulation of Baht 70 a day, under £2, and in theory an eight-hour working shift norm.

Both rulings are widely flouted. Wages actually paid are thought to be one third of those in Malaysia and as little as one sixth of those in Taiwan.

Mr Nigel Overy, the former chairman of the British Chamber of Commerce in Bangkok, who has spent a lifetime working in Asia, Thailand, Malaysia and Singapore, reckons productivity in terms of man output is greater in Thailand than in Singapore by a ratio of four to one. Thai workers can operate for 24 hours a day in three eight hour shifts, whereas in Malaysia and Singapore they are restricted to 16-hour days.

The Thais have, in the past few years, actively tried to encourage the inflow of funds by modifying and updating their basic foreign investment law. The Alien Businesses Act or Decree 281 of 1972 was draconian and anti-foreigner when originally drafted. Many of the restrictions have now been whittled away, so that a foreign investor can obtain a tax holiday of three to eight years depending on location.

He or she can get cheap factories on one of the industrial estates, and also some relief on the cost of importing raw materials and components.

He can remit all dividends and profits as well as capital. Apart from a small restricted list of basic industries, banking and primary agricultural concerns, investment can be 100 per cent foreign-owned.

What the foreigner cannot do is own land but that does not act as a barrier to investment in projects such as hotels. Foreign investors in hotels like to go into joint ventures with Thais because it often lowers the amount of squeeze or bribery to be paid.

The Government is attempting to bring in 30-year renewable leases for land as a way around the land ownership problem.

Dr Phisit estimates that at least 80 per cent of the investment in the new industries is by local Thai interests. The leather goods industries, the plastics concerns, the jewellery setting companies are all owned by Thais. Dr Phisit reckons the average size of new manufacturing concerns is around 100 employees with a capitalisation of between £1m to £10m. The Japanese with their sophisticated electronics investments are setting up larger companies in some cases with up to 7,000 employees.

The most recent figure for foreign investment given by the Bank of Thailand is for 1984 when some Baht 9.7bn (£244m) was invested and the cumulative total since 1960 then amounted £1.2bn.

These figures probably bear little relation to what is being invested today since they ignore reinvestment and do not allow for the fact that most of the Japanese investment in the new export manufacturing concerns only started to come in last year.

According to the latest BOI figures in the first nine months of 1987, there were 747 applications for investment licences involving Baht 46.3bn (£1.2bn) of which 70.1 per cent was Thai and 29.9 per cent foreign. That is to say in the nine months some £344m was foreign compared with a total for all of 1986 of £250m.

The breakdown by origin for 1987 was 36.2 per cent Japan, 13.7 per cent US, 8.4 per cent Taiwan, 6.1 per cent the UK, 4.1 per cent Hong Kong, 4.1 per cent Singapore and 1.5 per cent West Germany.

The outlook is for a further increase in the immediate term although there are some clouds on the horizon in the longer term.

Investment by country

Item	1985 Amount	1985 %	1986 Amount	1986 %	1987 September Amount	1987 September %	1987 January-September Amount	1987 January-September %
Applications Approved								
— No. of Approvals	210		295		41		387	
— Total Investment (Baht mn.)	54,197		34,610		3,802		49,173	
— Total Registered Capital (Baht mn.)	7,421		9,203		1,341		12,922	
Thai	5,537	74.6	6,064	65.9	626	46.7	7,495	58.0
Foreign—	1,884	25.4	3,139	34.1	715	53.3	5,427	42.0
Japan	169	9.0	1,675	53.4	463	64.8	2,347	43.2
Taiwan	111	5.9	46	1.5	127	17.8	860	15.8
United States	737	39.1	143	4.6	81	11.4	377	7.0
Hong Kong	163	8.7	230	7.3	26	3.6	210	3.9
United Kingdom	45	2.4	291	9.3	0	0.0	72	1.3
India	12	0.6	27	0.9	0	0.0	36	0.7
Singapore	37	2.0	97	3.1	5	0.7	27	0.5
Australia	13	0.7	16	0.5	0	0.0	27	0.5
Germany, Fed. Rep. of	11	0.6	121	3.9	0	0.0	24	0.5
Netherlands	21	1.1	37	1.2	0	0.0	14	0.3
Malaysia	97	5.1	130	4.1	0	0.0	12	0.2
Korea, Rep. of	12	0.6	4	0.1	0	0.0	1	0.0
Others	456	24.2	322	10.3	12	1.7	1,419	26.2
— Cost of Machinery and Equipment (Baht mn.)	16,892		18,508		1,783		27,962	
— No. of Thai Employees	59,374		60,231		17,624		126,948	
Approvals Cancelled								
— No. of Approvals Cancelled	34		73		1		38	
— Total Investment (Baht mn.)	3,450		4,018		22		3,005	
— Total Registered Capital (Baht mn.)	891		1,462		8		1,250	
Thai	593	66.6	905	61.9	0	2.7	954	76.3
Foreign—	298	33.4	557	38.1	7	97.3	296	23.7

One area of concern is Bangkok itself which is congested, overcrowded and badly polluted. The Government has attempted to draw off industry from Bangkok with its Eastern Seaboard Development Programme (ESDP).

This involves the setting up of industrial estates along the eastern seaboard on the coast towards the tourist resort of Pattaya. The industrial estates do not seem to have had many takers as yet, because the initial petrochemical industries there are capital-intensive in a country ideally suited for the moment to labour intensive ones.

Another potential problem is the availability of labour. The birth rate has been reduced to 1.6 per cent compared to 3.2 in the 1960s. Unless there is reform of the agricultural industries where most people currently work, a labour shortage could easily develop.

This seems a distant threat though and for the rest of this decade at least Thailand should continue to enjoy a manufacturing and foreign investment bonanza.

Stewart Dalby

Banking and Finance

Capital market awaits boost

AS THAILAND makes the rapid transition from mainly agricultural exporter to manufacturing exporter, the country's totally inadequate capital market could prove a major stumbling block.

Good company profitability, an improvement in the current account balance, expected annual growth of seven per cent and low domestic interest rates have led to a liquidity problem - banks and financial institutions are awash with it.

But there are not enough financial instruments or institutions to convert the short-term liquidity into long-term debt, with the result that there is a heavy reliance on banks to provide corporate lending.

Of the $45bn of assets held by the banking sector, national planners estimate that 60 per cent is being lent on an overdraft basis of one year or less, meaning that long-term capital expansion is subject to the fluctuations of short-term interest rates.

"We have to restructure financial institutions to cater for new industrialisation," says Dr Phisit Pakkasem who, as deputy secretary general of the National Economic and Social Development Board, is one of the architects of the sixth five- year plan.

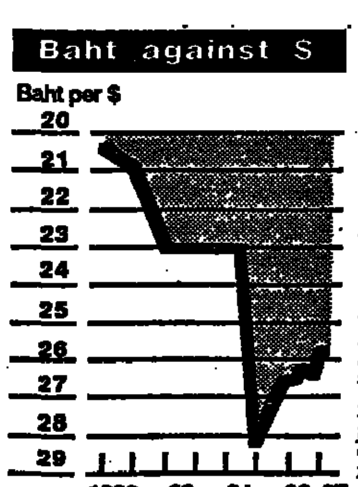
Foreign and local bankers agree this could be a major bottleneck to growth. Some companies are now trying to get their one-year facilities extended to three years to lock in current low interest rates - a 'super prime' borrower will borrow at around 7 per cent while borrowers whose standing denies them access to foreign borrowing will pay 12-14 per cent.

This kind of lending cannot, however, be termed long-term. What bankers say is needed is an EXIM or long-term industrial bank and tax incentives to encourage the use of debentures and long-term bonds but there is no sign of either on the horizon.

The need for longer term lending instruments will become more pressing as the savings rate increases. Gross domestic saving is creeping up, from 19 per cent of GDP in 1982 to nearly 22 per cent in 1987 although it has remained stubbornly below gross capital formation which in respective years was 22 per cent of GDP and 22.3 per cent. These rates are still about one third less than savings and investment rates in neighbouring Indonesia, Malaysia and South Korea.

The Government has introduced some minor changes to try to encourage a shift from debt to equity financing - a 17 per cent devaluation in late 1984 and the subsequent slowdown in growth combined with the high gearing ratios rattled policy makers concerned with how to service the foreign debt.

The biggest obstacle to the expansion of equity financing, however, is a mainly Chinese-led reluctance to relinquish shares in family-controlled companies. Though the Chinese population is fully assimilated into Thai life, they have not lost their taste for closed and often obscurely held companies.



Source: IMF

The other side of public finance where the Government has a chronic problem is in its persistent budget deficit which in the last two years has almost exclusively been financed through the bond market. Thailand has a small public sector compared with other developing countries, with public expenditure around 19 per cent of GDP. But it also has one of the poorest records in the world for collecting revenue, appearing in one recent global World bank survey in the bottom quartile of tax collection.

The Government appears to have accepted the obvious - that the country's doctors and lawyers, let alone private sector companies place paying taxes low on their list of priorities - and have decided to introduce a value added tax next year. Whether it will turn around the budget deficit of 3.6 per cent of GDP in 1986 which the Siam Commercial bank expect to fall to 1.4 per cent this year, remains to be seen.

Against this backdrop of excessive liquidity, foreign banks that are not aiming for retail business have a fairly tough time. The 19 foreign banks account for only five per cent of all bank assets and are allowed only one branch. With the immature capital market, opportunities for fee-based business are limited while lending to even the big Thai companies sometimes runs into difficulties because of different reporting standards.

Lending limits of 25 per cent of local capital to any one customer causes additional problems. Even the biggest of Thailand's 15 banks, the Bank of Bangkok, runs up against this restriction in lending to the largest companies although such groups often get round the restrictions by owning subsidiaries through nominees which don't have to be consolidated because they are at least nominally less than 30 per cent controlled by the group.

Foreign bankers and more importantly the bank regulators in their home countries, often take a different view of collateral and consolidation practises which leads to even more caution than would be normally expected from a bank operating in a totally foreign culture.

The exception is Citibank which came in late in 1985 by buying the Hongkong and Shanghai Bank's control of Mercantile Bank and has rapidly expanded its assets by concentrating on retail banking. Opportunities are great in residential lending and hire - purchase finance, in which Citibank and Chase Manhattan Bank notably are most active through their finance companies. The concentration of wealth in and around Bangkok means that the limitation of being allowed only one branch is minimised.

Foreign bankers not aiming for this expanding segment of the market admit that until the capital market matures their bread and butter is to service their multinational customers.

On the domestic front, the Government is making efforts to support the banking system as part of its effort to develop the capital markets. It is supporting about 25 finance companies that were badly hit in 1985 by the relative slump in growth and has helped restructure four banks, merging for example the Krung Thai Bank with Siam Commercial Bank and recapitalising three others.

Changes in anything in Thailand tend to be slow; changes in the banking industry often glacial. It will therefore require far more government attention than has so far been given to bring about the very necessary restructuring of the industry that is needed as the country moves rapidly away from an agricultural economy and towards manufacturing.

Richard Gourlay

Reactions to the Stock Exchange fall

No longer isolated

THE FALL of 31 per cent in Thailand's stock market in October did not surprise many international traders given the carnage elsewhere in the world but the indignant reaction of some Thai officials and some brokers did.

Thailand's growth prospects, export potential, investment boom and relative lack of reliance on the US market are such, the official argument went, that the fall should never have happened. Foreigners were accused of "dumping" shares. The Bank of Thailand ordered an investigation of investment funds to see whether investors were merely speculating, though there was no indication what action could be taken if it was seen that they were, and officials suggested all future funds should be closed, allowing redemption only at maturity.

"This is the first time that we Thais realised that we are no longer in isolation," said Mr Udorm Vichayabhai, who manages through the Mutual Fund Co in Bangkok the $30m London-quoted Thailand Fund.

As the dust settled the Government took more sober action. Brokers suggested that it is unlikely that the Government will take any steps that will damage the market. It is after all, a top priority to develop stronger capital structures for companies through the market and to try to raise the low level of national saving.

Rules covering brokers investing their own capital in the market were relaxed - freeing a potential $280m of additional buying power - and the day limit on share price movements was cut by half to five per cent.

In the aftermath of the stock market crash, it is clear that Asia's newest little dragon market is still cutting its teeth and still needs the guiding hand from the Government.

At its peak before the October 19 crash, daily trading turnover on Bangkok's exchange had reached $60m, about 10 per cent of which was foreign investment, and had pushed the market capitalisation to a record $8.2bn. By last month with foreign investors still licking their wounds, volume was down to $5.6m and the market had lost $2.6bn.

Brokers estimate that more than half the trading was in banking and finance companies, led by the largest bank in Asean, the Bangkok Bank, Siam Commercial Bank and Thai Farmers Bank. And of the 95 listed shares, foreign brokers say there are ten which are closely watched and five which are most usually held in their portfolios including Siam Cement, Siam City Cement, International Cosmetics, Thai Plastic and Chemical and Bangkok Insurance.

As a market for international institutional investors, the size is still limiting. The five domestic funds total just over $100m, the Thailand Fund was launched at $30m last October and the Bangkok fund launched two years ago was launched at $10m.

The market has, however, begun to act as a source of equity capital. So far this year 12 new companies have been listed and 30 companies have increased their capital through new or rights issues. The Securities Exchange of Thailand hopes there will be 13 more new listings and officials are confident that the market crash will not lead to a significant number of postponements.

Existing quoted companies have so far in 1987 raised $395m up from a $87m last year, much of which came from a statutory increase in bank capital. New listings have raised $156m, up from $1m last year from one company. As with many markets in the Pacific rim, the Chinese preference for keeping ownership in the family will severely limit the expansion of the market.

But there are other obstacles which the Thai authorities could remove, the most notable example being remittance procedures. In theory, taking out profits should entail a simple notification to the central bank (the Bank of Thailand) but brokers complain that in practice the paperwork can take months.

The Government has, however, taken some measures. Last year it reduced the maximum tax rate on dividend income from listed shares to 15 per cent - the same as the rate on bank deposit interest - from its previous rate of between 7 and 55 per cent. Capital gains tax of 25 per cent is rarely paid because they are covered by double taxation treaties with 20 countries.

On the long-term view as Thailand enters what some officials are calling a golden five-year period, Bangkok's stock market is generally seen as a good bet.

The October crash knocked some of the gloss off this record. But if confidence returns to any markets, brokers say Thailand's will be one of them.

Richard Gourlay

ON DECEMBER 5TH THE PEOPLE OF THAILAND SALUTE A DEDICATED KING

His Majesty King Bhumibol Adulyadej sharing advice with a group of his subjects.

ON DECEMBER 5TH, 1987, HIS MAJESTY KING BHUMIBOL ADULYADEJ, ninth monarch of the Chakri Dynasty, celebrates the achievement of the fifth cycle; his 60th birthday.

In Thailand, life is measured in cycles of twelve years. The completion of each cycle is a significant step in a man's life. It means development and change. Fortunes may improve, or worsen. Personality and outlook on life are different. Each cycle is a "coming of age."

However, the fifth cycle is the most important of all. At sixty, man is mature, wise and knowing. Experience has made him complete. Thus, completion of the fifth cycle is a time for celebration.

When a King achieves this momentous step, an entire nation celebrates. And in the case of King Bhumibol, the joy is genuine indeed.

Since the beginning of the Chakri Dynasty, the monarchy has been benevolent and caring. Both a friend of the people and a figurehead.

King Bhumibol and his beautiful Queen, Sirikit, have carried on this tradition, regularly travelling throughout the country offering help and advice where it is most needed.

Thailand is still largely agricultural, and the climate can be extreme, with monsoons and floods in some areas and drought in others. The King and Queen have initiated countless projects to speed the advance of technology. Dams and irrigation systems have been built under the King's guidance, while modern farming schemes have been introduced all over the country.

This ongoing relationship is conducted without fanfare. In fact, the King is likely to arrive on a remote farm for an informal get-together to see how things are progressing.

This extraordinary devotion to the well-being of his people has made King Bhumibol one of the most beloved monarchs in Thailand's history. His picture takes pride of place in practically every household in the land.

Next year, King Bhumibol becomes the longest reigning monarch of the Chakri Dynasty. He came to the throne in 1946, pledging to "reign with righteousness for the benefit and happiness of the Thai people." That, he has done, and continues to do.

On this momentous occasion, Thai Airways International join with all the Thai people in expressing their love and gratitude to King Bhumibol Adulyadej. May the completion of his fifth cycle bring His Majesty as much joy as he has brought to his people.

A NATION CELEBRATES

Thai

MNC&H/THAI/8460

Politics

Stability but military in firm control

YEARS OF intra-party bickering and changing coalitions since a form of democracy began in 1973 have led many Thais to view their country's parliamentary system with scepticism and the motives of those in government with suspicion.

Technocrats and businessmen are quick to point out that the renewed economic success, which has triggered a mood of confidence and optimism, has little to do with the Government and everything to do with private initiative. Furthermore the rapid economic growth that beckons, promising a bigger pie for all, is increasingly leading Thais to accept the political system as it is, warts and all.

The Thai formula is parliamentary democracy in name alone. Overshadowing the politicians is the powerful military which pervades all walks of business, bureaucratic and political life, maintaining a watchful eye on things like a Victorian governess.

Although the 347 members of the lower House are directly elected from a party slate, the Prime Minister for the last seven years, Mr Prem Tinsulanonda, is an unelected former general whom the four party coalition again called to office last July after they could not agree upon a leader among themselves.

Two of the five deputy prime ministers are former generals; the military through Gen Prem chooses the key cabinet posts; the appointed upper house has a blocking minority of former generals; former officers sit on the boards of parastatal organisations and wise businessmen setting up new ventures will ensure military men have positions on the board.

Thailand's long history of military domination combined with the memory that unambiguous martial law only ended in 1973 means that everyone knows that nothing goes unless the military says it goes. It provides a form of controlled, though illiberal, stability.

The other foundations in the Thai political formula are the unchanging bureaucracy, which increasingly is run by top rate technocrats who hop in and out of the private sector, and the 60-year-old constitutional monarch, King Bhumibol Adulyadej.

Through untiring work on mainly rural development projects, the King is now revered throughout the country and he has built up the image of the monarchy as an institution interested in the welfare of ordinary people. Although he remains aloof from day to day politics, nothing important changes without the support of the palace, a fact that appears to be recognised even by the military.

For example when in 1981 young officers led a coup, the King withdrew to a mountain retreat and withheld his support for their move. By comparison, the success of the 1976 coup, after three years of full-blown democracy had degenerated into virtual anarchy, was assured once the King had given his blessing.

Against this backdrop party politics is reduced to a competition between elite groups which have little or no difference in ideology whose primary interest is self-enrichment. Opposition to the staunchly capitalist model of development has dwindled from its heyday between 1973-76 with students now generally more conservative. Dissent, such as it is, focused on a rearguard action against capitalism's encroachment on traditional Buddhist culture and values.

Furthermore, radical opposition from the Communist Party of Thailand almost completely faded away when Chinese backing stopped after the Vietnamese invasion of neighbouring Kampuchea in 1979. It shows few signs of taking root again in the near future, especially as much improved roads have cut into former rebel strongholds and the communists also lost their havens in Kampuchea.

There is therefore a political stability that few with the ability to bring about change have any incentive to unsettle. "Coups will come and go and governments will come and go but the lot of the ordinary man will stay the same," said one political observer.

The Government is also trying to reduce its role in development and business affairs anyway. "The role of government and the politicians is not to get in the way of the private sector," Dr Olarn Chaipravat, vice president of the Siam Commercial Bank and former official at the Central Bank (the Bank of Thailand) says.

King Bhumibol Adulyadej with his uniformed son and heir, Crown Prince Maha Vajiralongkorn

With the prospects for political stability rosy, attention naturally turns to matters of succession. It is generally accepted, however, that in the short term, there will be more of the same. Any rocking of the boat will be considered bad form, and therefore bad politics, before mid-1988 when the King becomes the longest reigning monarch under the current Chakri Dynasty. Furthermore, elections, in which vote buying on a grand scale is the norm rather than the exception, are expensive and generally thought to be unwelcomed a the moment.

Talk that General Prem will retire before his four year term expires in 1990 has receded in recent months partly because his most hotly tipped successor, General Chaovalit Yongchaiyut, is not yet seen ready for the job.

As commander in chief of the army, Gen Chaovalit made his name as the mastermind of the amnesty programme for communist rebels and jungle fighters in 1979. He is the first of a post-World War II breed of modern officers who had first class civil, political and military educations and has set the tone for military conduct by saying that coups are now a thing of the past.

He is also trying to mobilise the army for civic action projects for example in the backward north-eastern region which gains least of all the regions from the mainly Bangkok based economic boom. Although building wells, improving sanitation and planting trees seem a logical role for an organised military in a country like Thailand in peacetime, Gen Chaovalit's enemies say he has simply jumped on a band wagon to win favour with the King, develop a popular base and increase his chances of succeeding Gen Prem.

Ironically, however, some of Gen Chaovalit's more socially-minded comments and his use of communist rebel returnees for advise on his amnesty programme - some of whom he still stays in touch with - are damaging his chances of taking over from Gen Prem. His critics' accusations that he has socialist leanings probably have more to do with their own conservatism, but Gen Chaovalit still has to overcome opposition within the palace.

The other speculation that has subsided in recent months is that the King himself would abdicate - or the Thai equivalent, go to a monastery - around the time that he becomes the longest serving monarch. The 35-year-old Crown Prince, Maha Vajiralongkorn, is no longer seen as a playboy, as he was in his youth, but there is still some concern that he is not ready to succeed his father.

Richard Gourlay

Foreign Policy

Watchful eye on USSR

THAI FOREIGN policy is ostensibly predicated on the ideal that one day south east Asia will become a neutral area.

Thailand adheres to Zopfan, the pact signed by Asean (Association of Southeast Asian Nations) members in 1971 calling for a zone of peace freedom and neutrality in the region. Asean is made up of Thailand, the Philippines, Singapore, Malaysia, Indonesia and Brunei.

Similarly, Thailand has supported, in principle, plans which are occasionally ponderously discussed by the Asean bureacracy to turn the region into a nuclear free zone. This would be modelled on what New Zealand has tried to establish in the South Pacific.

Not only would such a zone mean none of the Asean members could aspire to possess nuclear weapons, it would also forbid third country ships bearing nuclear weapons from calling at Asean ports.

Mrs Thatcher greets General Prem Tinsulanonda, Prime Minister of Thailand on a visit

Some Asean members might be able to cope with this, but it is hardly tenable for the Philippines which has a large US naval base at Subic Bay close to Manila, the capital.

Thailand, with its background of friendship and collaboration with the US particularly during the Vietnam war period would almost certainly baulk at unilaterally rejecting visits by US warships. For the present, neutral zones nuclear or otherwise remain aspirations for the Thais.

In practice, Thailand remains stolidly pro-western in its alignment, with particular affinities with the US. Although never a colony of any great power, Thailand developed close ties with the US in the late 1950s. This was the cold war era when in the aftermath of the Korean war, the US, fearful of possible Chinese expansionism set up a series of bases in the region under the umbrella of the South-east Asia Treaty Organisation(Seato).

The US involvement was augmented in the late 1960s and early 1970s when at least five air bases were established in Thailand together with some 55,000 personnel largely for purposes of bombing during the Vietnam war.

The organisation of Seato has long since withered and Thailand no longer harbours any US bases or military personnel. Nevertheless, according to Dr Kantathi Suphamongkhon, at the Thai Ministry of Foreign Affairs, Thailand still regards itself as a member of the Manila Pact which was signed in the late 1950s and led to the setting up of Seato. The organisation may no longer exist for all practical purposes but Thailand still regards the treaty as valid.

"We must be realistic, he said. "While we would like to see Zopfan work, the timing is all important. For the moment the US must maintain a presence in the region to counter the growing Soviet involvement."

Western diplomatic observers point out that although Thailand is anxious for the US to remain in the region, it is happy for the Philippines to be the actual physical hosts and cope with the attendant political problems a foreign presence brings Thailand asked the US to withdraw its military facilities in 1976 in large part because the Americans were attracting discontent from various political factions in the country.

Dr Kantathi counters charges of disingenuousness, by saying that it is more strategically relevant for the Philippines to host the Americans.

"The Soviet threat is essentially a naval one at the moment," he said. "They are building up their bases in Cam Ranh bay in Vietnam and to a lesser extent in Kompong Som in Kampuchea. There really was no point to the Americans staying in Thailand after the Vietnam war ended.They had mostly air bases here," he said.

Thailand, for its part, reassured Mr Raul Manglapus, the Philippines Foreign Secretary when he made a recent visit to Bangkok, that it would vociferously support the view that the US bases in the Philippines should remain, at the next Asean summit in Manila in December.

The Soviet build up in Vietnam is of long-term concern.The immediate focus of Thai anxiety, however, is the Soviets' active support for Vietnam and in turn Vietnam's occupation, since 1979 of Kampuchea. This is perhaps understandable since it is Thailand more than most countries which has had to bear the brunt of refugees, not only those flooding over its borders from Kampuchea but also those arriving by boat on its southern coast from Vietnam.

The tide of boat people has receded in recent years , but there are still some 170,000 refugees in camps inside the country and an estimated 300,000 scattered along the eastern borders on the Kampuchean side of the border. It is because it wants to resolve the refugee problem as much as wanting to normalise relations with the Indochinese countries that Thailand has been concentrating its efforts to try to get some movement out of the Soviet Union on the Vietnam-Kampuchean question.

Thailand has been a member of the Security Council at the United Nations for the past two years and has tried to use this forum to address the Vietnam problem.

According to Dr Kantathi, the Thais were heartened by Mr Mikhail Gorbachev's Vladivostock speech of July 1986, particularly its allusions to openings towards the Far East.

"We have noticed differences in the Soviet approach to this region," he said. "They are trying new methods to promote their foreign policy. They have been active on the cultural front. But we have not discerned any change in the substance of their policy on Kampuchea."

One of the diplomatic by-products of the Soviet involvement in Vietnam has been to draw Thailand closer to China. China's antipathy to both the Soviet Union and Vietnam has lead it to support the Prince Norodom Sihanouk-led coalition of anti-Vietnam forces, just as does Thailand. Besides the Sihanoukists, this consists of the KPNLF of Mr Son Sann and the Khmer Rouge.

The only practical way China can make good this support in terms of arms and other assistance is through Thailand.

Although it is never admitted publicly the quid pro quo Thailand has demanded for allowing this traffic is the cessation of Chinese support for the communist insurgency in northeast Thailand.

Officially, the insurgency has faded away through a clever political 'hearts and minds' campaign.

In practice, the Chinese, while letting it be known that other countries should not extrapolate from the Thai experience that Peking is ceasing support for revolutionary movements elsewhere, they have effectively put the Thai insurgency into limbo.

Thailand is glad of the rapprochement with China, but it understands that the key to movement in Indochina is the Soviet Union. Until they perceive some progress on this front Zopfan will remain a distant aspiration.

Stewart Dalby

Privatisation

Political will is lacking

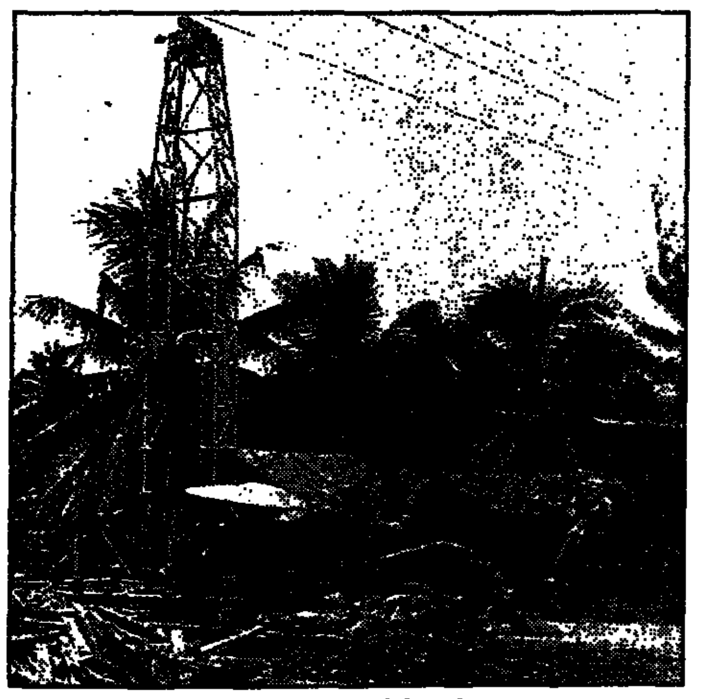
TALK OF privatisation rolls off official tongues with a Thatcherite ease in Thailand, befitting a government that has firmly pinned its colours to the non-interventionist mast.

In practice, however, the privatisation talk boils down to a declaration of government direction and a steady whittling away at the state's interference in private enterprise rather than any sweeping British Telecom style sell-off.

"Privatisation in Thailand is more about raising efficiency than transfer of ownership," says Dr Phisit Pakkasem, deputy secretary general of the National Economic and Social Development Board which is the architect of the country's five year plans. He admits that privatisation of the two most saleable assets, Thai International Airways and the Electricity Generating Authority of Thailand is still a long way off.

There are now only 70 state enterprises, down from over one hundred in the 1950s, of which 47 are making money and ten are banks that are more or less commercial. Collectively all 70 have a return on assets of six per cent compared to nine per cent for the country's top 20 companies, Dr Phisit says. The loss-making companies include state railways, Bangkok's bus company and utilities where, particularly with water supply, the Government has made some progress towards market related pricing policies.

The second group of companies are those that were launched as pioneer industries soon after the Second World War to provide essentials like batteries and radio tubes and which subsequently spread their tentacles and today compete with the private sector. "The policy is to Bonzai these companies," says Dr Phisit, referring to the Japanese trees whose growth is deliberately stunted. The theory is to cut off their peripheral activities, starve them of soft loans and invite in private sector partners to take the whole venture private eventually.



Test drilling for oil and gas: more joint ventures

Where there appears to be a real attempt to use the private sector is for new contracts. Private contractors are currently tendering to build and toll-operate a much needed second phase of the Bangkok expressway. And private contractors are to bid for the contract to pipe gas for the Petroleum Authority of Thailand.

Sometimes, as in the case of the National Petrochemical Corp's gas separation plant at Map Ta Phud, the Government is needed as the joint venture partner to give comfort to the private investors, Dr Phisit says. The Government claims the intention is eventually to sell its holdings in these joint ventures.

By International standards, Thailand has escaped excessive state intervention in industry, partly because the Government has largely avoided the trap of going for large-scale capital intensive development. World Bank studies show that Thailand is one of the world's countries least encroached upon by its government. An appalling record of tax collection in Thailand and the technocrats' healthy recognition of government limitations are likely to keep it that way.

The Government has, however, been accused of foot-dragging by some weighty critics. Dr Olarn Chaipravat, executive vice president of Siam Commercial Bank and a member of the National Committee on State Enterprises. "It is not going very fast," he said. "We don't even appoint directors of state enterprises."

The committee was set up in June partly to produce a white paper on what government policy should be on partial privatisations - full sales appear to be out of the question - but nothing has yet emerged.

The most obvious target for sweeping privatisation is the extremely profitable national carrier, Thai International. It is 100 per cent owned by the state, pays no dividends to the Government in order to allow the maximum growth from internal resources. It made a net post tax profit of $90m from turnover of $1.2bn in 1986 and makes merchant bankers drool at the thought of how easy it would be to sell internationally.

Technocrats who are also trying to build up the country's infant capital markets and strengthen corporate financial structure point out that the airline made interest payments of over $150m last year. It seems to make little sense that a highly profitable airline like Thai is expanding its fleet by using debt rather than expanding its capital base.

The airline, however, always seems to be an elusive "couple of years" or a "further study" away from cutting its umbilical cord with the state. A joint Thai International and finance ministry committee last month determined that there will be no need for even partial privatisation for the next two years.

The picture appears to be similar at the Electricity Generating Authority of Thailand, with the added complication that the trade unions - which are only strong in Thailand in the public sector - are proving difficult to persuade of the benefits of going private. The Telephone Organisation of Thailand, which is in need of a capital boost to finance badly needed improvements in its service is an obvious other prospect for partial privatisation but again there has been no action.

There are some problems for Thailand's underdeveloped capital markets to swallow in one bite, although it is hard to see why a small percentage could not be floated on the market which now has a capitalisation of around $5bn. But the biggest block to privatisation, however, appears to be the vested interests.

Directors of the state corporations are cabinet appointments, often retired or active military officers and retired civil servants. These posts are the perks and pickings of public service and have helped produce in the last seven years, a political stability that has been unknown in the country's recent history.

Perhaps because of this balance, privatisation is not high on Prime Minister Prem Tinsulanonda's priority list. Some Thai commentators put it more bluntly. "Privatisation is fashionable but there is no political will," says Mr Phiphat Thaiary, the director of the Public Enterprises Institute, who nevertheless says there is a bright future for new joint ventures with the Government.

Richard Gourlay

The Regions

More incentives to attract private investor

ANYBODY WHO has spent a day in Bangkok could well have spent half of it in traffic. The clogged streets of the nation's bustling capital support the saying that on the one hand there is Bangkok and on the other, Thailand. Economic development has hit confident, frenetic Bangkok with a vengeance; it is a long way from spreading throughout the country.

Ensuring the expected fruits of Thailand's 'golden economic age' do not pass by the 65 per cent of the working population who still live from agriculture is a major challenge facing Thais today.

Official figures show that 30 per cent of the gross domestic product is produced in Bangkok where 15 per cent of the country's 55 million people live. A national per capita GDP of around $900 hides disparities between Bangkok where per capita income is around $2,500 and the backward north-east bordering Kampuchea and Laos where it is around $300.

The Government has recognised the problem. But it is clearly laid out in the sixth economic development plan which runs till 1991 that the private sector will have to provide the engine for development and not government.

"Regionalisation is in the forefront of our thinking," says Mr Mechai Viravaidya, speaking for Prime Minister Prem Tinsulanonda, who is also a leading figure involved with rural development. "Investment will be made more attractive but government's role is only to facilitate."

Companies investing in priority areas - a wide range of activities from rabbit raising and exporting to electronic component assembly and re-export - which locate outside metropolitan Bangkok are granted tax holidays of eight years rather than three years in Bangkok. Other incentives for investment promotion zones, mostly tax breaks, are equally generous but the Government recognises it can not force export companies to move to the underdeveloped hinterland.

The Government has tried hardest to promote regionalisation in the Eastern Seaboard Development Zone, but it has not been the unqualified success that was supposed to catapult Thailand on to the path towards industrialisation.

The two zones, 80 to 120 miles south east of Bangkok, were supposed to host $4bn of investment when they were launched in 1981. Projects included a major industrial park, two ports, and what has now become the symbol of the zones' delayed take off, a fertiliser plant at Map Ta Phut. This project is supposed to feed off the natural gas coming ashore from the Gulf of Thailand which is already supplying the stock for a gas separation plant.

Low international fertiliser prices and the cold feet of the Japanese backers makes the project's future bleak unless the Government steps in to support it. The 49 per cent government-owned gas separation plant, National Petrochemical Corp, has spawned four downstream plants, one of which is a joint venture between BP and Siam Cement. Talk about a second petrochemical complex is still just talk, as neither private investors nor the Government has come out strongly in favour of the upstream facility although a number of applications have been made to the Board of Investments for downstream plants.

Mesa waterfall in Chang Mai province: a local tourist attraction

At Laem Chabang, closer to Bangkok, the industrial park is still basically a greenfield site. In October, however, a consortium of Thai, Japanese and Belgian companies led by the Thai group, Italian-Thai Ltd, signed a $82m contract to build the country's first deep sea container and breakbulk port over four years which may give the region the boost it needs.

Even if the economic zone takes off, which is by no means certain, it is questionable how much it will help raise the incomes of the 65 per cent of the population still dependent on agriculture in Thailand. Thai farmers are blessed with good land and weather conditions but not with a drive for efficiency and there is little chance that world commodity prices will move in the farmers' favour.

Significant advances have been made in bringing down the incidence of poverty - from over 50 per cent in the 1950s according to World Bank figures - to 23 per cent now below the poverty line. The problem remains, however, that with the hugely different prospects of economic development for Bangkok and the countryside, urban suck will become stronger than it already is.

A large part of the Government's development programme is designed to halt this urban migration through the creation of jobs improving infrastructure during the non-rice harvesting months.

The emphasis is not on heavy government spending, however, but encouraging farmers to become mini-entrepreneurs who will diversify from staples into cash crops with the support of the Government's Bank for Agriculture and Agricultural Development. "We are trying to get these people to think more like businessmen," said Mr Mechai. Central Bank (Bank Of Thailand) officials say that despite the emphasis being given to the development of the regions, the budget has not risen.

But the poorest north-east region is likely to receive support from the highest quarter. Early this year, King Bhumibol Adulyadej while visiting the region endorsed a drive to develop the region more rapidly. The budget for the region is likely to rise next year, according to central bank director, Mr Siri Ganjarerndee, and the army's commander in chief, Gen Chaovalit Yongchaiyut, probably with one eye on his political future has adopted the region and launched a much trumpeted 'greening' programme.

It is a departure from the norm. Chiang Mai province's governor, Dr Pairat Decharin, says his role as the appointed representative of the central government is to encourage private businessmen. This is no problem for Chiang Mai, Thailand's tiny second city, where the canny businessmen have turned the once sleepy town into a bustling centre, capitalising as much on the tourists' need to get out of Bangkok as on its long history and the local attractions.

Dr Pairat had a tougher task as governor of Chainal province. Here he ranked among his achievements encouraging the production of pomolos for export and the development of a commercial bird sanctuary.

There are serious doubts however, whether or not the private sector alone will be able to respond to Bangkok's urgent needs. The contract for an extension of an urban expressway is currently out to tender and will be built and run by a private company. It is hardly the answer.

Like many piecemeal improvements in urban transport, it may end up by simply getting the capital's traffic to the next jam more quickly. The comprehensive overhead mass transit network, which would make the biggest impact on the problem, is still little more than a perennial study, partly because of Bangkok's urban sprawl which will make it extremely expensive.

Richard Gourlay

Agriculture

Rice is top food export

THAILAND'S agriculture, which still accounts for 40 per cent of exports, 25 per cent of gross domestic product and 65 per cent of employment, would seem to be a continuous success story of diversification and innovation, in recent years.

In the 1960s and early 1970s,there was rice, rubber, tin and teak. Thailand made a comparatively good living for a third world country exporting its surpluses of these commodities. It came to be the world's largest exporter of rice in many years. Some 80 per cent of Thailand's export earnings came from agricultural products with the rest virtually all accounted for by tourism.

If prices weakened Thailand, which is not overcrowded in terms of its resources and which, on the whole, has a benign climate for tropical agriculture, expanded volume by increasing the area under cultivation. Today some 70 per cent of land classified as arable is rice paddy.

When the terms of trade began to deteriorate as commodity prices really started to decline, the country diversified into new crops.

The most resounding success was cassava or tapioca which the Thais sold to Europe. Export volume had reached 8m tonnes by 1980 and tapioca was vying with rice and tourism to become the country's largest export.

In 1981 however, the EC slapped a quota of 5m tonnes on imports of cassava from Thailand. The country can easily meet this as it uses very little cassava itself even for animal feed. In Europe it is mixed with soya beans to get the protein content up and used as cheap food substitute.

More recently still Thailand has diversified into and partially out of sugar.It has gone into fresh and tinned vegetables, as well as tinned fruits. Flowers are exported to the Netherlands. There are numerous value added projects in fisheries.

The visitor to Thailand is constantly told that the country is the world's largest exporter of tinned pineapples.

The Thais have developed a flourishing trade with Japan in frozen chicken parts. They used to export whole chickens. Then they went into boneless chickens, now they export chicken parts, thus adding value all the time. The trade was worth some Baht 8m (£200,000) last year and is growing rapidly.

A glance at the Ministry of Agriculture's handbook for 1986 shows that the largest single agricultural export was fisheries products. These produced Baht 24.6bn (£600m) in export income compared with Baht 20bn (£500m) for rice.

Prices for rice have been depressed in the past couple of years, volume has also been badly hit by the drought earlier this year.

It is also important, when making this kind of comparison, to take into account, an element of double accounting. The Ministry of Agriculture includes fish products and fruit and vegetable products as agricultural goods, whereas other departments classify them as manufactures.


Planting rice in a paddyfield

If value added products are included then agricultural exports account for 57.56 per cent of total exports. Primary agricultural goods account for just under 40 per cent of the export total.

All this said, however, the fisheries sector has performed impressively. Shrimp farming has become a growth industry as Japanese and Taiwanese concerns have come into Thailand to set up projects. Almost all the shrimps, tinned frozen or otherwise find their way back to Japan. Other marine products farmed are cockles and mussels. To some extent the farming compensates for poor marine catches, These have been pretty static in recent years.

The country has also scored successes in labour intensive agri-industries.In the case of canned tuna, Thailand buys tuna from places as afar away as Tonga and even the US. It processes and cans it then exports it back to places like the US

There has been growth in fresh water fish farming with species like cat-fish, perch eels and carp being developed. Often these are for the domestic market,however. Since fish farming turns out a fraction of what is being produced in Taiwan, the potential is obviously great.

In crops such as rubber, Thailand has boosted output significantly through a radical replanting programme. Unusually there are no great corporate holdings in rubber in Thailand. Most holdings are smallholdings. Under the auspices of the World Bank and others Thailand back in the late 1970s underwent a replanting programme in the south of the country, which meant much higher-yielding, quicker-growing trees.The result has been a sharp jump in output.

Between 1981 and 1986 output increased from 470,000 tonnes to 760,000 tonnes. In 1986 rubber exports earned Baht 1. 7bn (£400m) making rubber the fourth largest export. Thailand still only accounts for a small percentage of world output so there is scope for increases, as there is for other tree crops like palm oil. Cotton is another crop which has flourished because of the growing textile industry..

The overall picture is, therefore, one of enterprising diversification and a constant ability to surprise with new products. At the same time Thailand has allowed older, less remunerative commodities like tin go into decline. There is, nevertheless, concern that the heart of Thailand's agriculture - rice production - is too inefficient.

As a socio-economic system, Thailand's farming methods have much to recommend them. Most of the land is owned by the farmers themselves, there is very little tenanted land. The average holding is 21 rai (one rai equals 0.395 of an acre). As with rubber there are hardly any vast corporate holdings. As a result there is no great landless peasantry looking for work in the cities. Nor are the farmers exploited by usurious middlemen apparently.

Rice marketing is done by Chinese entrepreneurs according to Dr Robert Ralston, an adviser at the Ministry of Agriculture, "Thailand looks like an oligopoly but works more like a free enterprise system," he says. "In the States it seems like a free enterprise system but works like an oligopoly. There are perhaps 30 concerns here handling rice with possible ten doing most of the business. In the US there are probably 12 companies handling rice marketing but probably only three do real business."

Dr Ralston estimates that the Thai farmer gets something like 70 per cent of the retail pice of his rice.

The yield from rice farming however is woefully low. The fact that 65 per cent of the workforce account for only 25 per cent of GDP suggest a rationalisation is necessary. Dr Ralston says the yield per hectare is 1.7 tonnes compared with a world average of 2.5 tonnes. It says a lot for Thailand's natural fertility that the Thais were able to expand into marginal land to get volume up. But that process is now at an end. Forested land has fallen from 50 per cent of cultivable land to some 26 per cent. A dangerously low level in terms of erosion let alone any ecological considerations

Today 90 per cent of Thai paddy is still rainfed.

That is to say only 10 per cent is irrigated by man-made means so there is virtually no double cropping. There was a large increase in the use of tractors early in the decade, but the process seems to have run aground through lack of organised financing by foreign companies concerned.

Thai rice farmers will avoid using fertilisers if possible, partly because the cost of inputs rose considerably during the 1970s, and partly because the natural fertility and adequate rainfall made it unnecessary.

In the past, Thai rice farmers, who produce the country's stable crop have taken a lot for granted. If however the country is to continue to diversify its agriculture and agri-industries and if it is to develop as a manufacturing nation, then rice farmers will have to produce more from the same land area and liberate vast numbers from the land now held down by out of date methods.

Stewart Dalby

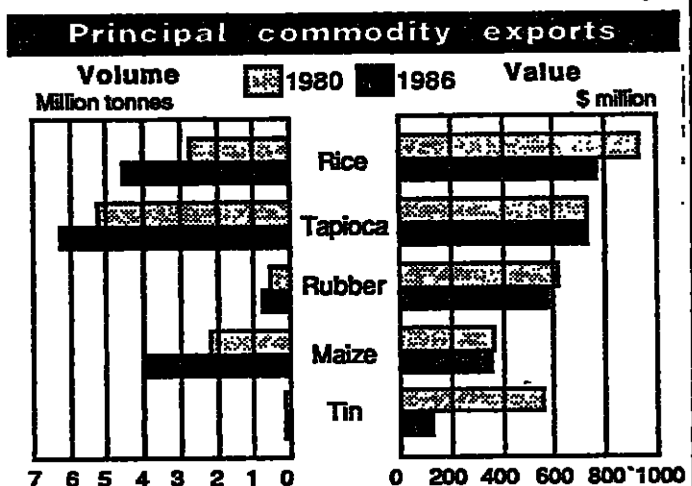
Major exports

Baht (millions)

Year Rank	1981		1982		1983		1984		1985	
1	Rice	26,367	Tourism	23,879	Tourism	25,050	Tourism	27,317	Tourism	31,768
2	Tourism	21,455	Rice	22,504	Rice	20,157	Rice	25,932	Textile Products	23,575
3	Tapioca	16,446	Tapioca	19,869	Tapioca	15,387	Textile Products	19,155	Rice	22,523
4	Textile Products	12,531	Textile Products	14,049	Textile Products	14,351	Tapioca	16,600	Tapioca	14,978
5	Rubber	10,840	Sugar	12,933	Rubber	11,787	Rubber	13,004	Rubber	13,567
6	Sugar	9,571	Rubber	9,480	Maize	8,486	Maize	10,147	Integrated Circuits	8,231

Source of Data: Bank of Thailand
Tourism Authority of Thailand

Principal commodity exports



Source: Bank of Thailand

Collector's haven

Loving tribute in the house on the Klong

TUCKED AWAY in the middle of the concrete and the clatter of modern Bangkok is a little oasis of tranquillity. It is both a taste of traditional Thailand and a shrine to the man who revitalised the Thai silk industry before mysteriously disappearing 20 years ago.

Jim Thompson's House, or "the house on the klong" as it is known to Thais, is a celebration of one man's love for the art, myths and religion of South East Asia. It is full of smiling Buddhas from neighbouring Cambodia, Anamese plates from Vietnam, snakes with protective powers and the porcelain bowls of a 17th century king that were painted in jade to absorb any poison slipped in by his courtiers.

Between the end of the Second World War and the day in 1967 when he went for a walk in the Cameroon Highlands in Malaysia and never came back, Thompson was a compulsive collector. Today Thompson's museum, which his nephew donated to a foundation after he was pronounced officially dead, is considered among the finest in Thailand.

The house itself is equally impressive though it is permeated by a rich cocktail of smells from the klongs, the canal network running through Bangkok which carries an unsavoury mixture of rotting objects as well as people and commodities. It is a combination of five traditional teak houses from the 14th and 15th century capital, Ayuthaya, and one from the Moslem village across the klong and were originally held together with wooden pegs.

Thompson had no interest in South East Asia till he arrived in Thailand in 1945 with the US Office of Special Service, the forerunner of the Central Intelligence Agency. That connection lay behind much of the speculation 22 years later when he disappeared without trace - "once a spy, always a spy," it was said.

Having arrived just after the Japanese surrender to work with Thai resistance as planned, Thompson nevertheless stayed on and began to revitalise the dying art of silk weaving.

It was in fact from the village across the klong, Bangkrua, which was one of the few communities still weaving silk that Thompson first introduced artifical dyes from Switzerland, replacing the vegetable dyes which quickly faded. More exciting - some would say gaudy - colours opened up export markets and has made silk production a lively cottage industry.

It also paid for Thompson's wanderings and collecting throughout the region. "He could not buy Buddhas from the temple so he bought them from traders who did not know their value," a guide at the museum said. The value of the collection is unknown. But it is worth pondering how much priceless artwork was bought for a song and shipped out of the country by dealers less interested in Thai culture than Thompson.

Thompson's name would live on as a great Thai-phile through his house, collection and contribution to the silk industry. But the way he disappeared in Malaysia adds a layer of intrigue to the man. The theories grew as fast as the jungle where he vanished.

So-called "reliable sources" said he had been spotted years later in Cambodia which the North Vietnamese were using as a haven for their drive against the South. This was never confirmed. Another theory was that he had been abducted. He had not, after all, taken cigarettes or pills with him on his walk although he was a chain smoker and had a gall bladder problem.

The other was that he had simply had an accident and that the search parties looking at the 70 square miles had simply not found him. He was however, used to jungle having trained extensively with the OSS in Sri Lanka before arriving in Thailand.

For every theory there was a plausible explanation why it should not be true. And no clues, no proof.

Last month a reunion of OSS veterans, some of whom had kept in touch with Thompson up to his disappearance revealed no new clues. None of them could take the story any further. Or maybe they could but wouldn't.

Richard Gourlay

Business Guide

Book ahead for hotels

"YOU CAN always tell when winter has arrived in Washington," a flustered American diplomat moaned last month, "there's a sudden increase in official visits to Thailand."

Whatever else a business or official visit to Bangkok is - deafeningly noisy, clogged with traffic, overcrowded and sticky hot - it is certainly no hardship.

Many aspects of working in Thailand are becoming easier as the Thais fine tune their natural hospitality. It starts at the newly rebuilt airport - now one of the quickest to negotiate anywhere. Visas are now no longer a problem - you can stay 90 days on a non-immigrant visa, 60 days on a tourist visa and 15 days without a visa with a confirmed onward ticket.

There are no taxi drivers scrambling for your bags, so common elsewhere in Asia where eagerness usually has something to do with inflated prices. Most of the major hotels have someone to meet you; if you have not booked, the Thai Hotels Association has a stand with photographs of hotels and will book from the airport for you. Either way you will be scooped up, put in an airport limousine and whisked (for around $12) to your hotel - or rather away from the airport along the expressway and into the traffic.

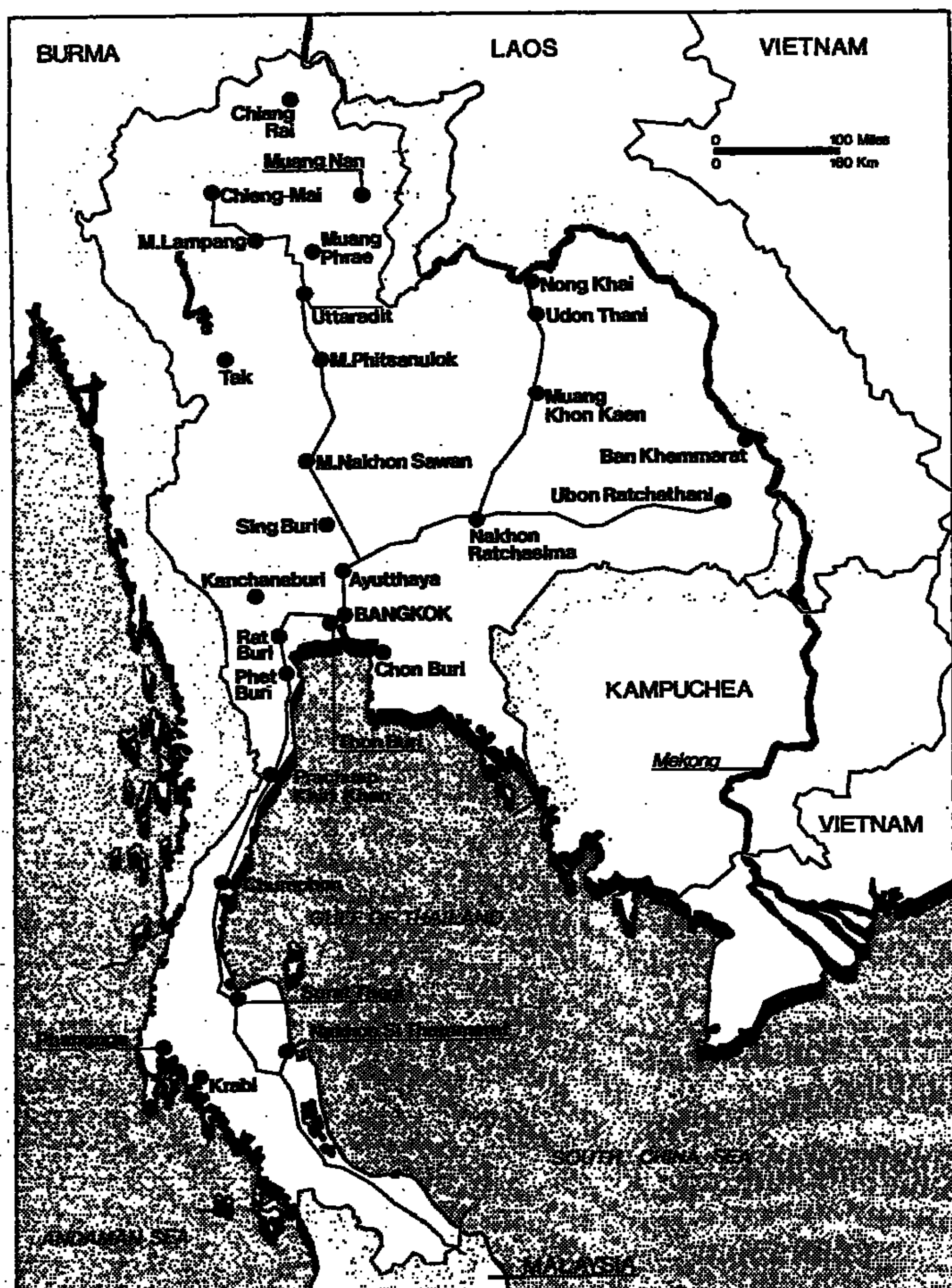
Bangkok's traffic should never be underestimated. There are normally gregarious residents who claim to choose their friends in Bangkok by where they live. It should be a factor in deciding where to stay. The famous Oriental and Royal Orchid hotels on the bustling Chaophya river are in a stunning setting but probably the wrong place to stay for getting about Bangkok.

Although nowhere is really the 'right' place to stay as the city is such a sprawl, the Dusit Thani, Regent President or Hilton are probably better placed for banks, embassies, shops and offices. For early or late flights, there is an Airport Hotel within walking distance from the departures hall. All major hotels have excellent business centre facilities.

Five star hotel prices range from $120 to a surprising $1,520 a night for the residence, used by author Joseph Conrad at the Oriental Hotel, or from $80 for an ordinary room to $170 for a suite at the Hilton. Food prices at the first class hotels, let alone elsewhere, are still surprisingly cheap as the Thai currency, the baht, is pegged to a basket roughly 80 per cent of which is made up of the US dollar. As the swarms of European tourists will attest, Thailand is a bargain for non-dollar earners. Last month, one dollar was worth roughly 25 baht.

Availability of hotels is, however, a major problem. Visit Thailand year has worked too well. It is unwise to arrive without a reservation between November and February, the (relatively) cool season, though during the hot period (March to May and in the rains (June to October) the hotels offer heavy discounts to get the visitors through their doors.

As the number of visitors increases, more people are learning English and Japanese - Thai is a hopelessly difficult tonal language to learn. It is therefore wise to ask hotel staff to write down for you in Thai your destination - street and office name - to show to taxi drivers.



Bargaining is a way of life and prices for taxis, tuk-tuks (the faster, cheaper but more poisonous three wheel transport that buzz noisily around town) should be agreed before the journey. Similarly bargain when taking advantage of the excellent shopping - whether it is for the 'genuine Bangkok copy gold Rolex' for $25 or for antiques - "let me take you to a village where I have them made."

If you like to eat French food while in Asia, the Normandy Grill at the top of the Oriental Hotel is sumptuous though the cost may give you indigestion. Of the many Thai restaurants, the Bussrakum in the Dusit Thani Hotel has a wonderful range of dishes and calming classical Thai music, while the Sala Rim Nam, across the river from the Oriental Hotel, from where it is reached, has as its centrepiece rather noisier classical Thai dancing.

Work itself in Bangkok, has become much easier in recent years, partly because of the stream of highly trained technocrats who move in and out of business and the public service, many speaking excellent English and who are well versed in what businessmen want.

The Board of Investment for example is coming close to a one-stop-shop although some delays once applications for investment privileges are made take some of the gloss off the show. BOI can be contacted by telephone, Bangkok 270 1400, by telex TH 82542 or through overseas offices in New York (tel 4661745), Tokyo (582 1806), Frankfurt (281 091) and Sydney (278 905).

Telephone connections abroad are not perfect as there is an urgent need for an expansion of the network but delays in placing calls are manageable. Once lines are obtained fax and modem communication is no problem.

If flying by Thai Airways, the internal carrier, for pleasure or business internally, be careful not to cut too fine the margin for connecting with international flights - the airline does not yet supply the most reliable service. Furthermore, the airline seems to be little concerned if connections are missed through its fault and make no effort to find accommodation.

Other useful telephone numbers: British Embassy: 253 0190; British Chamber of Commerce: 234 1140/6, ext 335; Thai International: 233 3810; British Airways: 236 8655; Oriental Hotel: 234 8621; Royal Orchid: 234 5599; Dusit Thani: 233 1130; Hilton 253 0123.

Richard Gourlay

The Royal Palace, Bangkok

Pictures by Terry Kirk

Tourism

Vibrant mixture of the old and new

THAI AUTHORITIES have made 1987 Visit Thailand Year, with exhibitions and promotions in the main tourist markets and a series of special events culminating *in the celebrations surrounding* the King's birthday on December 5.

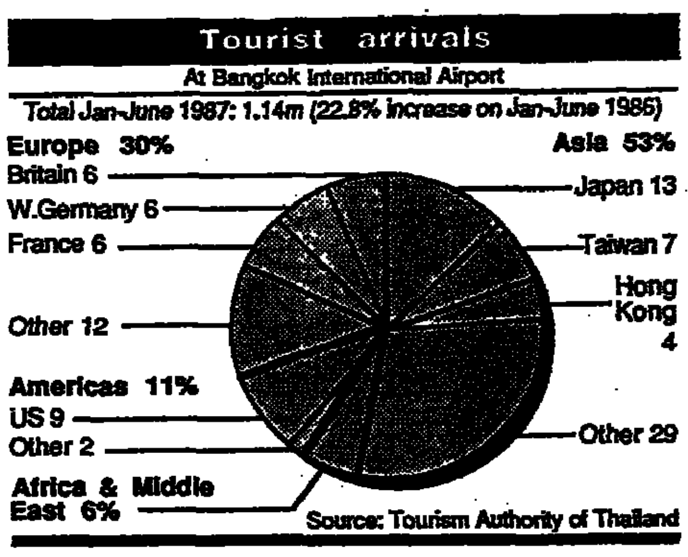
Anyone trying to find an empty hotel room, or book an internal flight to Chiang Mai, or Phuket or even secure a sleeping berth on a train, is probably wishing that the Thais had not bothered. The promotions seems to have succeeded well beyond expectations. So well, in fact that the authorities have extended Visit Thailand Year for another six months into 1988 when *King Bhumibol Adulyadej* will become the longest reigning monarch of the Chakri dynasty.

Last year Thailand had 2.8m foreign tourists. The Tourist *Authority of Thailand* (Tat) estimates arrivals have been growing by 20 per cent so that in this special year the total number of visitors should comfortably top the 3m mark.

Thailand's target in the sixth national development plan 1987-91, is for 3.7m tourists which will put the country almost equal with places like Hong Kong and Malaysia. The Tat accepts that arrivals might fall off after the Visit Thailand extravaganza but this is by no means certain. *For Thailand is* the logical jumping off spot not only for South East Asia but also, after a break, for Australia or even Hong Kong or Japan.

Getting to Thailand from Western Europe is a relatively painless 17 hour flight with two stops, although some airlines can do the trip from Britain in just over 13 hours non-stop. Something like 40 international airlines now fly into Bangkok.

The entry requirements for Thailand have been greatly simplified so that a visa is not required providing there is an onward ticket. The aiport is at Don Muang some 25 kilometres to the north of Bangkok.



Once in Bangkok it is usually easy to visit Burma for seven days on a tourist visa, or take the *train slowly down to Kuala Lumpur* and Singapore possibly taking in the beautiful Thai islands of Phuket or Ko Samui on the way. Or alternatively stopping at *the Malaysian island of Penang* and then striking out for Indonesia by way of Medan.

The Tat feels, though there is plenty for the tourist to do in Thailand itself. The country does seem to have everything: ancient buildings and sites, beautiful, relatively pollution free beaches in the south, and jungles in the deep south and the north.

The country is run by the military with a controlled democracy. There is little terrorism and very little crime against foreigners.

Getting around Bangkok is tiring, the city is badly congested, the traffic is appalling. But there is plenty to see and do. There are marvellous restaurants, good hotels, wonderful shopping, lots of temples to see, and klongs (rivers) to take boat rides on, and of course there is the sex.

Bangkok became known as the sex capital of the world when the US GIs started visiting in the 1960s for rest and recreation from the Vietnam war. Ever since then there have been thou*sands of prostitutes of both sexes* and any number of sex shows ranging from the tame to the very explicit. Last year some 70 per cent of visitors to Bangkok were male, including a large contingent, apparently from the Middle East.

The advent of Aids has changed everything. The Thais are attempting to play down Aids. There are no official figures on the numbers of victims. Hoteliers in Pattaya, the gaudy tourist resort on the eastern seaboard which used to be nicknamed Sodom and Gomorrah, are now placing advertisments in newspapers saying "No cases of Aids here."

It has become noticeable that a number of well-known massage parlours have started putting up signs saying no caucasians allowed. The police have started to try and clean up the main strip in Bangkok, Patpong, by banning totally nude dancing in the *girlie* bars. The authorities are trying now to promote Thailand as a centre for family holidays.

Chiang Mai the hill town, in the *north* of the country is a place where children ride on elephants look at crocodiles in the zoo, visit the hill tribes or buy handicrafts or silver jewellery in the night market.

In Bangkok, a visit to Jim Thompson's house, which is a museum is obligatory as is a trip to his shop to buy silk. Jim Thompson was the American who in the 1950s almost reinvented the ancient Thai silk industry. It was noticeable on this recent visit to Pattaya for the easy sailing there just how many family groups there were on package tours, particularly from Germany and France.

The Thais have a great interest in promoting their country as a *wholesome tourist centre* because the revenue is very important to them. This year the Thais will make close to baht 40bn (£1bn) from tourism, not *including the money earned* by the national state-owned carrier, Thai Airways. This means tourism will have earned something like the equivalent of 15 per cent of visible exports, and means it would again vie with manufactured goods as the country's largest single export.

The Thais want to get visitors to stay longer and therefore spend more. At the moment the average stay is 5.58 days. The longest stayers are the Swiss, who stay an average of 10.69 days when they visit, but do not spend very much. The biggest spenders are Middle East visitors who stay 9.26 days and spend $155.65 each. The Japanese stay only 3.8 days but they spend a lot - $101 per person. The largest group overall is from Asia and the Pacific with 1.6m visitors in 1985. Europe is a long way behind with 455,000 visitors and North America third with 180,742.

The Tat says it does not have to increase the number of hotels. There are nearly 20 hotels in Bangkok which would qualify as first class with dozens of hotels of lesser class. There are probably 20,000 beds in Bangkok and maybe 8,000 in Phuket.

The experience of myself and colleague recently in obtaining hotels rooms was probably untypical in that it is now the beginning of the cool season, which lasts from November to February. This is the period of greatest demand. On a visit here last February at the end of the cool season I was offered a number of rooms at a good discount.

In the hot season between March and May, Bangkok in particular is insufferably humid and sticky and there is little pressure on rooms. The wet season from the end of May until October is cloudy and damp with little continuous sunshine although it is not cold.

The Thais may well have to do something about their internal travel services if they want visitors to stay longer, and if they are to develop as a conference centre. The internal flights do not seem to be co-ordinated with the international ones. Booking is difficult and seats hard to come by, as with the trains.

Improvements here will undoubtedly come, given the importance of continued growth in the *industry*.

Stewart Dalby

The famous floating market

SECTION IV

FINANCIAL TIMES

SURVEY

France BANKING AND FINANCE

Robin Maclaclan

Four years of headlong change have put the banks and institutions into a less certain environment. The banks' move into the private sector reflects a shift in French attitudes to profit and enterprise, as **George Graham** reports.

Asking hard questions

CAUGHT BETWEEN a tumbling stock market and a presidential election, France's banks and financial institutions are asking themselves a lot of hard questions about where they should go next.

After four years of headlong change in the structure and regulation of their traditional lending market, and an even more spectacular mushrooming of financial market activity, the banks must now cope with a less certain environment in which profits growth will be harder to maintain.

Net earnings for the entire French banking sector, excluding mutuals and co-operatives, more than doubled between 1984 and 1986 to FFr11.9bn. This year promises at best slower growth for most banks, and a decline in profits for many.

Doubts over the outcome of next spring's presidential election make the choices harder.

The largest banks will have to answer for their decisions to a new master: no longer the state, which gave them no fresh capital while in return asking little in the way of dividend, but millions of small shareholders.

Societe Generale, the country's fourth largest banking group, has already returned to the private sector after 40 years under the state's wing. It is due to be joined eventually by its main rivals, Banque Nationale de Paris and Credit Lyonnais, and the big three state insurance groups also wait more or less eagerly for the call.

Other financial groups nationalised by the Socialist Government in 1982 have also been privatised - Paribas and Suez in the investment banking sector, Credit Commercial de France and Sogenal among the commercial banks.

The success of the privatisation programme in its early stages added a political dimension to the revolution in the financial markets. The first 10 privatisation operations, which raised a net FFr51.5bn for the Government, garnered a total of 15m individual applications in France.

The country now boasts an estimated 6m direct shareholders - many of them voters - who are sensitised to the recent turbulence of the stock market.

If confirmation were needed that the privatisation programme has lost its momentum, it came when shares in Suez, the 11th company to be floated, opened at an 18 per cent discount to the offer price.

The move of the banks into the private sector, paralleling a more abstract shift in French attitudes to profit and enterprise, entails a change in the banks' attention to the bottom line.

"The banks used to function as an administration, without paying proper attention to profitability. Now they have become more and more business-minded," says Mr Daniel Lebegue, who presided over much of the spring-cleaning of the French financial markets as head of the Treasury, and who moved in September to become joint managing director of BNP.

"The banking sector was protected and cartellised, but those practices are disappearing and competition is coming into play."

The changes in attitude have appeared to come naturally to many banking executives, and also to a steady stream of high-flying officials who are leaving the civil service at ever earlier ages to try their hand in the competitive sector.

The old corporatist spirit has not died. It reared its head late last year when the banks, jointly and heavy-handedly, tried to start charging for current account services. They managed to galvanise a normally sluggish consumer movement into action against their plans, and ended up having to back down.

"The problem of charging for bank services is a real one, but that was the wrong way to go about it," comments Mr Yves Le Baquer of the Credit Mutuel group, which was blamed by some other banks for breaking ranks on the bank charges issue.

Corporatism, however, seems bound to give way in the end in the face of the structural changes which have taken effect in the financial marketplace.

Domestically, the ending of credit controls released the more aggressive banks from the main constraint on their activity, and forced the sleepier to react to the inroads of their competitors.

Internationally, the threat of London as a competing financial centre - rammed home when French banks like Paribas and BNP shifted their main capital markets operations across the Channel - has led Paris to look anxiously to its laurels.

The modernisation of the stock exchange, though still far from complete, was an urgent response to the rise of a London market in French shares, as well as to a surge in both primary and secondary equity market activity.

French companies, traditionally heavily reliant on debt finance, have begun to turn to the stock market and particularly to the second market as their first choice for fresh capital.

Total issues of new equity have climbed from FFr24.2bn in 1980, when they represented only 22 per cent of bond issues, to FFr137.4bn last year, or 40 per cent of the gross volume of bond issues.

In the first half of 1987 the progress continued, with FFr85.5bn of new equity issues, nearly half the bond volume.

The creation of new markets in financial instruments, ranging from commercial paper and certificates of deposit to financial futures and stock index options has also allowed Paris to re-emerge as a centre for financial activity.

And the ending of most exchange controls has permitted a good deal of Euromarket lending activity to come back on shore.

The prospect of facing competition on a wider international scale still causes concern to many French companies. For instance, are the major state insurance companies - giants on the domestic stage - large enough to compete with their West German and UK rivals when the European Community finally opens up its internal market in financial services?

Others have adapted, and regard themselves as already fully implanted on an international market.

"In the 1990s, the idea that you can develop on the scale of a single country of 50m inhabitants is a fundamental error. The market has to be not just Europe, but the world," says Mr Renaud de la Geniere, chairman of the Suez group and former governor of the Bank of France.

To compete on this scale, however, French banks have to find the resources to match their overseas counterparts.

The French banks association (AFB) points out that current proposals by the British and US banking supervision authorities for raising world capital requirements do not take adequate account of the strength of French banks' provisions for bad debts.

Most banks, however, are keen to boost their capital base, as well as maintain their provisioning effort. This is especially true of those which remain in the public sector: the main reason most of them give for wanting to be privatised is their need to raise fresh equity.

"The period in which banks could self-finance their development is over. We have to place our capital ratios on an international level, and that can only be done through the markets," says Mr Bernard Thiolon, managing director of Credit Lyonnais.

In the past few years, the surge in profits at France's largest banks has come mainly from financial activities, both from commissions on market operations and from their own investments - especially their bond portfolios as the years of steadily declining interest brought a stream of capital gains.

This financial cushion has helped them to expand into the personal loans sector, an area they had neglected in the period of credit controls, when they preferred to concentrate their lending on their corporate clients.

Almost coinciding with the end of credit controls came the development of disintermediation, as companies increasingly bypassed their banks as lenders by issuing their own short or long-term securities. The resulting decline in corporate lending has paralleled the surge in personal loans.

For the specialised banks which had carved out niches in the consumer credit market while the big high street banks were concentrating on lending to companies, the competition has intensified. Many complain that the high street banks have been lending at a loss in order to regain market share.

"The big banks made large profits in recent years in the financial sector. They have used this mattress to attack the personal sector at rates which allow absolutely no profit," says Mr Leon Bressler, chief executive of Midland Bank SA, the French arm of the UK bank which has developed a sizable home loans market.

"Where can the big banks make profits now? They can no longer make money on the international market, which is devastated, nor in the major corporate market, because of disintermediation, nor in the financial markets."

That leaves small companies, where they still have large profit margins, though these are being eroded, and the personal sector, he says.

With the stock market crash only a few weeks behind them, and its sequel as yet far from clear, France's financial institutions are cautious about predicting the future, yet most feel that they can weather the storm.

"I have the feeling that if we reached a resistance level soon, the damages to the banking system would be relatively limited," says Mr Dominique Chatillon, president of the AFB.

But it may have discouraged not just the small shareholders, who have seen their portfolios of privatisation shares slip into the red, but the companies which have increasingly turned to the financial markets

A recent study by the Credit National shows that industrial companies' investment portfolios increased from 0.1 per cent of turnover in 1979 to 0.9 per cent in 1985. The best performing companies in the same period have boosted their investments from 0.2 per cent of turnover to 6.2 per cent.

CONTENTS

The hurried programme of the Chirac government won wide acceptance but has now come to an abrupt halt, says **George Graham**

Privatisation plans blocked by stock market collapse

FRANCE HAS a long way still to travel down the privatisation road, and the sudden collapse of the stock market has put an even more brutal block on its plans than in other countries.

The successive nationalisations of Gen. de Gaulle in 1946 and President Mitterrand in 1981 and 1982 had left the state sector accounting for a third of French industry's sales, and nearly two-thirds of its investments. In the banking sector, the state's dominance was even more pronounced.

The hurried programme of privatisation introduced by the incoming right-wing Government of Mr Jacques Chirac in March 1986 had won at least grudging acceptance from most shades of the political spectrum, and an unexpectedly warm welcome from millions of new shareholders.

The abrupt halt now forced on Mr Edouard Balladur, the Finance Minister, has cruelly exposed his haste to push through a programme that had seemed to be a surefire vote-winner in next year's presidential election, and has raised serious problems of financing and competitive imbalance for the still nationalised companies who have now moved into limbo.

The debacle has been sorely felt at Compagnie Financiere de Suez, the banking and investment group whose offer for sale closed the weekend before Black Monday wiped 10 per cent off leading Paris share prices in a day.

First dealings were delayed by Mr Balladur in the face of the markets' turbulence - against the wishes of Mr Renaud de la Geniere, the company's president, a tougher minded and more convinced liberal than the minister.

Suez shares opened at FFr261, 18 per cent below their offer price, pointing up the fact that most of the companies previously privatised, all of which opened at a premium, had by then slipped below their offer price.

For Suez the feeling was sorer, since its arch-rival Paribas, which had pipped it to be the first privatisation in the banking sector, will be remembered as the great success of the privatisation programme with its 3.8m individual share applications, even if its shares are now 25 per cent below their issue price.

It is not just the Socialist opposition, which had hitherto had only limited success in its efforts to find faults with the Government's conduct of the privatisations, who have seized on the issue since the stock market's collapse.

Supporters of Mr Raymond Barre, the rival of Mr Chirac in the presidential race and at present clear leader among the candidates of the right wing, have been quick to call for an immediate halt to planned privatisations.

Although the Barrists have no quarrel with the principle of privatisation, the political credit for the programme had gone almost exclusively to Mr Chirac, his Finance Minister and the RPR party they head. In addition, some had expressed annoyance at what they saw as the imposition of a flagrant RPR stranglehold on the "hard cores" of friendly shareholders built up by the Government to protect the newly-privatised companies from takeover and on these companies' boards.

At its crudest, the charge is that the RPR has placed its supporters at the heads of France's key companies, and then moved them into the private sector where a new government next year cannot touch them.

Some observers have felt that Mr Balladur's reluctance to abandon the planned privatisation of Union des Assurances de Paris, originally pencilled in for the beginning of December, has lent credence to the Barrists' claims.

UAP, the country's largest insurance group, is headed by Mr Jean Dromer, a close supporter of Mr Chirac, and through its huge investment portfolio holds a position of commanding economic power.

To press ahead with the privatisation of UAP in current conditions would be suicidal: even if the markets have now touched bottom, which has still to be proved, they are likely to remain too queasy for several months to absorb any major flotation.

Mr Balladur is certainly not cast in the *kamikaze* mould. Yet his staff was on occasion so anxious to deny that he had decided to postpone the UAP operation that it more than once ended up giving the impression that he would carry on regardless - thus sending the markets diving over again - before finally agreeing to delay it until the New Year.

For the bandwagon had begun to roll more and more slowly. After the outstanding popular success of Paribas, the minister had been encouraged to accelerate his plans.

With each successive privatisation, however, the appetite of the French public for shares has become a shade less keen, even before the latest bourse collapse, which may well have turned their stomachs entirely.

Mr Balladur has maintained that the FFr86bn raised from the financial markets in 11 operations to date was not a drain of cash, since a large proportion of the proceeds was used to pay off government debt, thus reducing new state bond issues.

Institutional investors have found his argument unconvincing, even though many private sector companies were still able to raise equity without being crowded out by the privatisations. Many analysts feel that he over-egged the privatisation pudding, contributing to the downturn in the French market - which began long before the global doomsday of October 19.

With the privatisations in effect suspended, more than a third of the way through the FFr200bn to FFr300bn programme, the Government now faces serious problems over how it is to act towards the companies that remain in state control.

It was the luck of the draw that Paribas, privatised in January, was able to carry out a FFr4bn rights issue in August, while its rival Suez was allowed only a token capital increase at the time of its privatisation and now sees little prospect of an early return to the market.

And it is arguable whether the high street banks Banque Nationale de Paris or Credit Lyonnais will be at a significant competitive disadvantage in the short term to their competitor Societe Generale, which was privatised ahead of them.

But for state industrial companies like the chemicals group Rhone-Poulenc or the aluminium producer Pechiney, the difficulty is more acute.

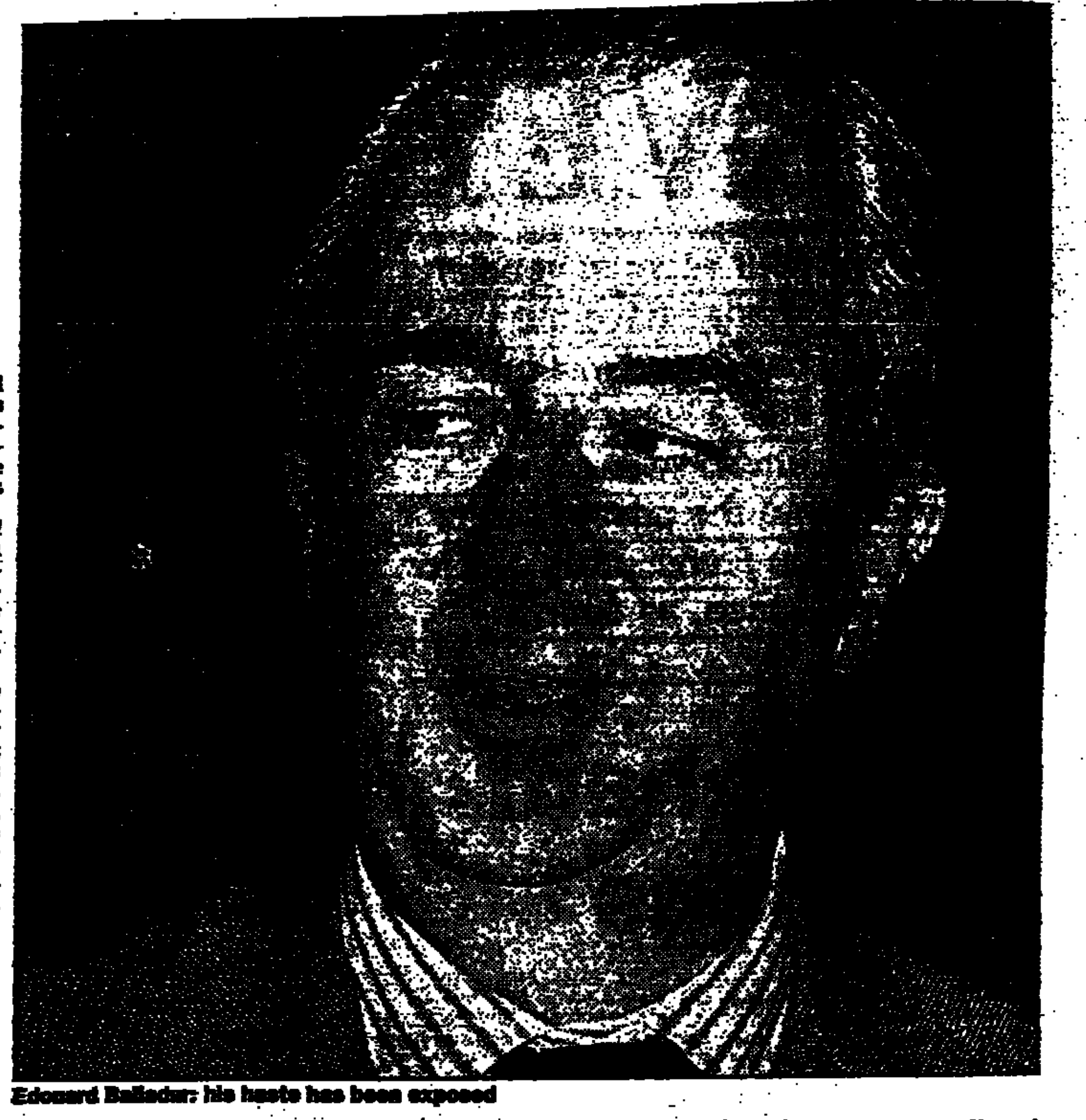
Rhone-Poulenc has spent heavily - some say much too heavily - on expanding its operations in North America, first through the $575m purchase of Union Carbide's agrochemicals plants and most recently with the $500m acquisition of the Stauffer inorganic chemicals business.

Mr Jean-Rene Fourtou, the company's chairman, has only himself to blame for tying up FFr608m of precious cash in "hard core" shareholdings in two privatised banks, CCF and Societe Generale.

Yet his company badly needs fresh capital to straighten out its balance sheet, and has reached the 25 per cent legal limit on issues of non-voting equity by companies in the state sector.

Pechiney has also come close to this limit, and it too has acquisition projects. Both groups will find their business development plans severely handicapped if they are not able to raise their capital somehow - though funds would be no easier to raise in the private sector in current market conditions.

An injection from the state as shareholder appears unlikely.



Edouard Balladur: his haste has been exposed

Major privatisations in France

Company	Business	Date of privatisation	Market capitalisation at time of flotation	Number of individual subscribers in French public offer	Main core shareholders	Price of issue	Price on first dealing
St Gobain	Glass and packaging	November 1986	FFr13.5bn	1.54m	BNP (7.5 per cent), Suez (3.9 per cent)	FFr310	FFr369
Paribas	Investment banking	January 1987	FFr17.5bn	3.81m	Total (3 per cent), UAP (3 per cent)	FFr405	FFr480
Credit Commercial de France	Banking	April 1987	FFr4.4bn	1.65m	CGE (4.5 per cent), Lafarge Coppee (3.9 per cent), MGF (3.8 per cent)	FFr107	FFr125
Compagnie Generale d'Electricite	Telecommunications, engineering	May 1987	FFr20.6bn	2.24m	Societe Generale (6.9 per cent), UAP (2.9 per cent), Generale des Eaux (2.9 per cent)	FFr290	FFr323
Havas	Advertising	May 1987	FFr6.4bn	730,000	(Societe Generale (4 per cent), Lyonnaise des Eaux (4 per cent), Paribas (4 per cent)	FFr500	FFr540
Societe Generale	Banking	June 1987	FFr21.5bn	2.3m	AGF (2 per cent), CGE (2 per cent), Rhone-Poulenc (2 per cent), GAN (2 per cent)	FFr407	FFr432
TFI	Television station	June 1987	FFr3.5bn	416,000	Bouygues (25 per cent)	FFr165	FFr178
Suez	Investment banking	October 1987	FFr19.3bn	1.6m	Elf Aquitaine (3.5 per cent), Saint Gobain (3.5 per cent), Pernod Ricard (3 per cent)	FFr317	FFr261

Future privatisations in suspense since stock market crash: Matra (electronics), Air France (airline), UAP (insurance), AGF (insurance), BNP or Credit Lyonnais (banking), Rhone-Poulenc (chemicals) or Pechiney (aluminium).

FRENCH BANKING 4

The collapse has not deterred plans to take advantage of the stock exchange reforms

Banks still keen to buy stockbrokers

AROUND THE Paris bourse these days they have stopped asking you how much you sold your stockbroking firm for - now the popular guessing game is how much money there is in the stock exchange's emergency guarantee fund.

The question was already of interest to the banks and securities houses when to buy Paris brokers following the Government's introduction of new stock exchange reform legislation, which opens up the brokers' capital.

It has become more pointed in recent weeks as the collapse in world stock markets has brought trading losses for some brokerage firms. More than one is reported to have had to draw on the fund.

Yet the markets' crash has not deterred a number of banks from signing up with Paris stockbrokers. Foreign groups, such as Warburgs of the UK, J P Morgan of New York and Swiss Bank Corporation have been quickly followed by domestic giants including Banque Indosuez and the Credit Agricole, which bought not one broker but two.

Other French banks, including Paribas, Credit National and the big three - Banque Nationale de Paris, Credit Lyonnais and Societe Generale - had already announced their plans before the collapse, while the biggest French stockbroker, Meeschaert Rousselle, had agreed to be taken over by the insurance group Compagnie du Midi.

More banks are still in negotiation, and they indicate that the prices being demanded by the stockbrokers have not fallen much, if at all, since the disaster of Monday, October 19 made everyone start to wonder if the party was over - even though rumours still fly of loss-laden firms changing hands for a symbolic FFr1.

In fact, French brokers have in general relatively little exposure as principals. Some may have suffered from taking positions in the 18-month old Matif financial futures market, while others may have been hit by the occasional defaulting client, but most have benefited from the record trading volumes, and hence record commissions, achieved on the bourse's darkest days.

"My father ran this broking firm before me, and he never made as much money in his life as he did between 1929 and 1935," says one Paris broker.

Mr Yves Flornoy, whose old-established firm Nivard-Flornoy is to be bought by Morgan, says that he has not been hurt by the stock market collapse.

"We have not suffered in the last few weeks. We have refused the speculators as clients, and we have not been very active on the Matif, so we have been little exposed," he says.

But the stock market debacle has perhaps caused some to question what precisely they were buying.

The answers have been different in each case. Every agreement signed so far has had its own peculiarities, with different divisions of power between the outgoing partners and the new owners.

At first, the response appeared to be alarmingly clear: the broker was little more than a seat on the stock exchange, and even that was to run out in 1992 when the stockbrokers' closed shop is due to end under the new legislation.

This was the logic of the first two deals announced, those of BNP and Societe Generale, each of which chose practically the smallest broker it could find, on which to graft its own dealing room and back-office structures.

Most brokers have benefited from the record trading volumes, and therefore the record commissions, that were achieved on the bourse's darkest days in October

Recent deals, however, have appeared to pay more attention to the market position the broker has been able to build up, and to pay more than lip-service to the problem of preserving the loyalty of their trading teams.

Yet questions over the directions in which the Paris market as a whole will evolve remain in the minds of many market analysts.

For instance, how will BNP and Societe Generale reconcile their new Paris operations with their existing market-making in French shares in London?

A large part of the stock in trade of brokers like Courcoux Bouvet, bought by Paribas, and Bacot Allain, bought by Warburgs, is in block trading.

Some dealers wonder whether this activity in large blocks of shares, which to some extent parallels the operations of inter-dealer brokers in other primary markets, will not dwindle away after the new legislation comes into effect and ushers in a new and more heavily capitalised generation of market participants who may overturn current dealing practices.

The Paris stock market has taken huge technical strides in the last three years to enable it to cope with a sixfold increase in trading volume - from FFr321bn in 1983 to FFr2,065bn in 1986, and up again to FFr1,897bn in the first half of this year.

Continuous, screen-based trading has been introduced on the CAC system for a large array of stocks, a major project is under way to speed up settlement procedures and introduce stock lending and borrowing facilities, and a new market in traded options has opened, though with sizable hiccups, on some of Paris's leading equities. An option on a new stock market index is planned.

But despite a number of modifications to the rules, France has not yet created the legal and fiscal structure which would allow serious market-making activity to develop by permitting dealers to take stock on to their own books efficiently.

The absence of this sort of dealer, or *contrepartie*, ready to take positions, diminishes the liquidity of the market and is blamed for the switchback progress of many share prices on the continuous CAC market.

Nevertheless, many Paris brokers, and particularly many Finance Ministry officials, remain devoted to the concept of the *unicité de prix* - the belief that the small investor who looks in the newspaper for yesterday's price should rest secure in the knowledge that his order was executed at that price.

The concept worked with the old fixing system - which still applies for a number of shares listed on the Paris exchange and carries a commendable element of protection for investors. But it is hard to see how it can be reconciled with a continuous market.

And the stock exchange authorities still seem unwilling to consider negotiable commissions, even though many brokers are getting around the fixed commission structure by offering favoured clients clawbacks or free subscriptions to services such as Reuter or the independent Paris research organisations.

The Paris bourse has already seen what can happen if you fail to adapt to circumstances. The French government bond market, still theoretically a monopoly of the stock exchange, has now escaped almost entirely from the exchange's constraints, even though the banks which are now primary dealers in government bonds and bills have to construct elaborate paper chains through their Luxembourg subsidiaries or put their deals through a broker at almost nominal commission rates.

The exchange has yet to prove that the changes now being introduced will be enough to prevent the same thing happening in the equity market.

George Graham

Multi-option facilities

Rush for flexible finance

IT IS NOT a development that French banks look on with any great enthusiasm, but one which they will probably all eventually have to embrace. The so-called multi-option facility, providing companies with a highly flexible form of financing, has already swept the corporate sector in the UK, and is now becoming the rage in France.

In the first nine months of this year, banks arranged more than £19bn in syndicated financings for UK companies, most in the form of multi-option facilities. They usually allow companies to draw on a variety of competitive financings, such as commercial paper, short-term notes, acceptances or cash advances, but also provide a committed financing from the banks to act as a backstop should the other instruments not deliver or become uncompetitive.

The rush into such financings has been encouraged partly by the problems for most of this year in the international bond markets, which have not been a reliable source of financing for anything but the highest-rated borrowers. The collapse of equity markets worldwide, and the increased concerns among investors about corporate risk, have, if anything, accelerated the trend.

The strength of these facilities from the companies' point of view is three-fold: flexibility, cost and speed. Because they cost so little to arrange, many companies use them simply as a standby. The facilities also take a minimal period to put together, even in the volatile markets since October 19.

But their development poses a dilemma for the French banks. Many companies are using the facilities as a replacement for the relatively expensive standard lines of credit provided by the French banks for French companies.

What has traditionally been the French bank preserve is being encroached upon by the foreign banks, eager to establish relationships with French companies and willing to lend at aggressive rates.

If the French banks do not participate, they lose important longstanding corporate relationships, but if they join they encourage a trend which reduces their own income.

For example, the traditional main relationship banks of SNECMA, the French state-owned aero-engine maker, were not in the lead management group putting together a $300m facility for the company. Banque Nationale de Paris, Credit Lyonnais and Societe Generale were not in the group, but Banque Indosuez, Banque Paribas, Bankers Trust and Barclays Bank were.

This deal also illustrates just how aggressive the terms on such financings have become. The facility fee - the fee the banks receive annually for putting the transaction in place - is four basis points - four-hundredths of one per cent, or $120,000 for the whole facility.

If the company ever draws down on the committed part of the facility, which it may not, it pays 10 basis points over interbank rates if in French francs and London interbank offered rates if in another currency. An extra two basis points is payable if less than half drawn and six basis points if more than half used.

With such pricing, small wonder that French companies are lining up to make such deals.

So far, boycotts by leading French banks of facilities which they have considered too aggressive have not had much of an impact. The lead managers of the SNECMA deal were confident that they would succeed in putting together the financing, while a boycott seemed to make little difference to an earlier deal for Laffarge Coppee.

However, the big French banks may cast an eye across the Channel and consider it worth digging in their heels. British banks boycotted a very tightly-priced $500m deal for the industrial conglomerate, BTR, in August.

The boycott had little effect on the BTR deal itself, which was put together without a hitch, but had an impact on subsequent deals, which were priced slightly more generously to entice the UK banks to join.

The question borrowers must consider is the old one of transaction versus relationship banking. One could imagine that the pendulum is on the point of swinging back toward the latter, since it is when times become tough that a company needs its friendly banker.

Stephen Fidler

Foreign exchange dealers frantically buy and sell currencies at the bourse in early November

The competitive climate has been changed completely

Deregulation consensus faces election hurdle

AS FRANCE moves into an as yet undeclared campaign for next year's presidential election, the undeclared consensus between the country's right and left over deregulation of the financial sector may be heading for stalemate.

The process of reform and modernisation began under the Socialist finance ministers Mr Jacques Delors and Mr Pierre Beregovoy. It has has shown a remarkable degree of continuity - even of acceleration - under Mr Edouard Balladur, who succeeded them at the Finance Ministry when a right-wing majority came to power in the March 1986 parliamentary elections.

With the stock exchange reform legislation now passing through parliament, the deregulation programme appears to be coming to at least a temporary halt.

Other sensitive reforms - touching entrenched tax privileges - are unlikely to make much progress in the run-up to the presidential election.

Yet a great deal of ground has already been covered. The reforms began with a reworking of the banking regulations and continued through the creation of new financial markets and the revitalisation of old ones.

Most important of all for foreign investors - and for many French institutions, too - has been the gradual removal of foreign exchange controls, although many have chafed at Mr Balladur's reluctance to abolish the controls in one fell swoop.

The 1983 banking law, which laid the groundwork for many of these reforms, was the first major restructuring for 40 years. It extended the Bank of France's control beyond the traditional banks to a range of co-operative and mutual banks, each of which had previously had its own separate status.

"Banalisation" was the cry - the ending of special privileges and the levelling of the playing field so that everyone could offer roughly the same services under the same regulatory conditions.

This involved ending many of the bewildering array of credit subsidies - at least 54 different varieties up until 1984 - and turning lending over to a freer market.

The free market could not come into effect without the ending of quantitative credit controls, which had been the main instrument of French monetary policy since 1972. Gradually eroded from 1984 onwards, the so-called *encadrement du credit* was finally abolished on January 1 this year.

The abolition completely changed the competitive climate in the French financial world. Banks which had been unable to increase their lending activity - or had simply been able to sit comfortably on their market segment without inroads from their rivals - started to expand rapidly.

"The end of the *encadrement* was a real revolution. We have a big gap between our deposits and our credits so when credit controls were removed we decided to start distributing loans in a massive way," says Mr Yves Le Baquer, managing director of Credit Mutuel de Bretagne, a thriving mutual bank with 22 per cent of the savings market in its native Brittany.

The process of reform and modernisation has shown a remarkable degree of continuity - and even accelerated

"The problem was that other banks found themselves in more or less the same position, with the result that competition in Brittany became intense."

But it was not just in Brittany or in other heavily-banked regions that competition intensified.

For the ending of credit controls coincided with the opening up of a new range of debt instruments, including the creation of a commercial paper market in December 1985.

The new markets gave companies direct access to funding by issuing their own short or long-term securities, cutting down the banks' direct lending activity in a process of "disintermediation."

The major French banks thus turned their attention to personal lending, a sector they had to a great extent neglected to the profit of smaller and more specialised credit institutions.

The reform and deregulation of the financial markets led to a gradual harmonisation of the conditions for a whole range of debt instruments, as short-term commercial paper and certificates were allowed to be issued at longer maturities, eventually overlapping with the conditions for bond issues.

These new markets have taken off rapidly. Over FFr46bn of commercial paper is now in issue, compared with less than FFr25bn a year earlier, while the CD market has nearly tripled from FFr60bn at the start of the year to FFr170bn at the end of September.

But it was the Government's administration of its own debt which changed most dramatically, leading the way for the rest of the financial market.

Although Mr Balladur has managed in successive budgets to reduce the central government deficit, the state remains by far the most important borrower in the Paris markets, financing itself largely through regular auctions of Treasury bills and bond tranches.

The Treasury bill market now appears to have reached cruising speed, with around FFr394bn in issue at the end of September. The auction system now works smoothly for the bond market, and has been adopted by other major borrowers.

In fact, the French Treasury, which points with pride to the modernity of its debt management techniques, has moved into the realm of debt swaps, beginning by swapping FFr1.5bn of fixed rate bonds into floating rate debt with the Credit Lyonnais bank.

There is much left to do. If "banalisation" has made a great deal of progress, the whole sector of personal savings is still rigidly controlled. Interest rates on deposit accounts are fixed by the state, and certain varieties of savings account, carrying particular tax privileges, remain the prerogative of certain banking networks.

The position of the Caisse des Depots, the central state financial institution which is the channel for all money deposited in savings accounts, may therefore evolve further.

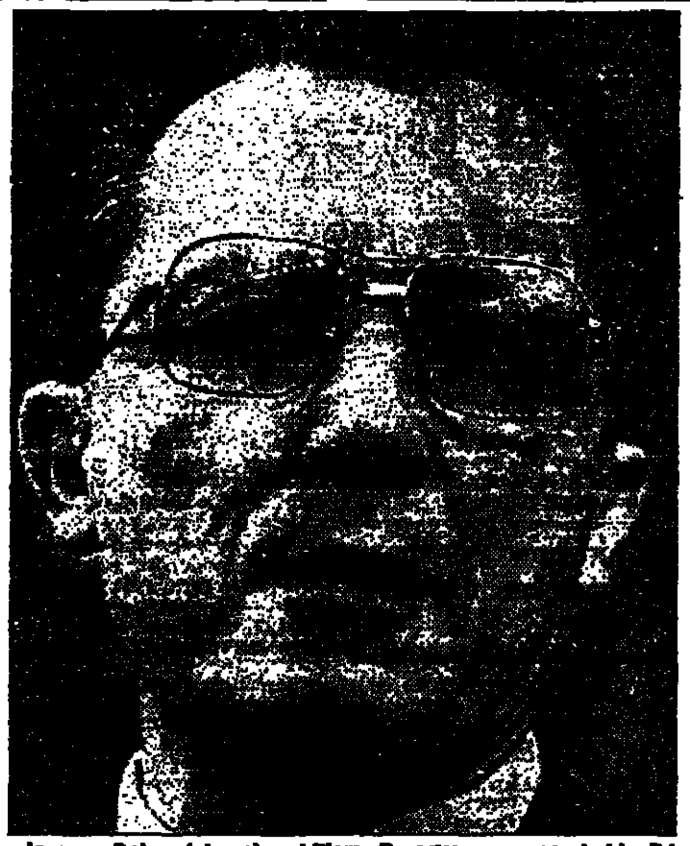
Several categories of loan, especially agricultural and housing, are also possible targets for "banalisation," though both housing and agriculture are politically sensitive sectors.

The insurance industry is still waiting for its equivalent of the 1983 banking law, which will thoroughly reform and modernise its regulatory structures.

The recent upheaval of the financial markets, however, has placed a lingering question mark over the process of deregulation, giving ammunition to those, such as Mr Jean Saint Geours, chairman of the CIC banking group, who felt the process had gone too far and who called for re-regulation.

Those who had deeply inhaled the spirit of deregulation are now holding their breath to see if the old regulatory habits re-emerge.

George Graham




Jacques Delors (above) and Pierre Beregovoy: succeeded by Edouard Balladur

The stigma of having an overdraft in France has all but disappeared

Growing taste for consumer loans

A MAJOR cultural revolution has been taking place in French attitudes towards consumer lending.

During the past few years, French consumers and the banking system have lost most of their old inhibitions over consumer loans and have increasingly turned to lending practices already established in other industrialised countries such as the US or the UK.

Although consumer loans still represent a modest proportion of the country's overall lending activities compared to other OECD partners, the French have developed a growing taste for this type of credit. Indeed, while having an overdraft at the bank was regarded until recently as taboo in France, the stigma seems to have disappeared.

Most banks now automatically allow depositors an overdraft of up to FFr5,000 and overdrafts - which totalled only a modest FFr10.8bn at the end of 1984 - have been steadily rising by about 20 per cent a year during the last two years.

In the past, the development of consumer lending in France was held back by the monetary authorities as well as the general cultural attitudes of French households towards this form of credit.

The monetary authorities traditionally preferred to encourage banks to concentrate their lending on the industrial and housing sectors. Special restrictions and credit ceilings put a brake on the development of consumer lending in France.

But there has now been a profound change in attitudes both at the consumer level as well as with the monetary authorities and the banking system as a whole. At the same time, there has also been a general shift in French lending patterns as company indebtedness has declined and consumer lending increased.

French companies, which once relied on indebtedness for growth, have now seen the general financial situation improve and their profit margins rise, reducing their need for debt. The deregulation and modernisation of the French financial markets, begun in 1983 under the Socialists and accelerated by the right-wing Government in the past two years, has also given French enterprises a battery of new financial instruments, including the *billets de tresorie* or commercial paper.

This has led to a decline in the banks' traditional lending activities to the industrial and corporate sector. In turn, the banks under the new French climate of financial deregulation have increasingly sought to develop their consumer credit activities.

Consumer credit is expected to continue to develop strongly in France, to match the growth in consumer spending. One out of every three households in France has now taken out consumer loans of one sort or other.

The banks have turned increasingly to lending practices already established in other industrialised countries

Consumer credits, which accounted for 2.84 per cent of disposable income of households in 1981, had grown to 3.57 per cent by 1985. A recent study by the monetary authorities shows that consumer credits totalling FFr67.5bn in 1981 have been rising steadily during the last five years to about FFr185bn last year.

This evolution has been accelerated by the attraction of consumer credit to a new generation of younger French households without the same inhibitions as the previous generations towards this type of credit activity. Moreover, the banking system has made major efforts to develop new, more attractive and simple consumer credit instruments as competition between the major credit institutions has intensified for consumer credit customers.

Apart from overdrafts, banks increasingly have offered revolving credit facilities to customers as well as other consumer lending facilities. Hire purchase agreements, mainly for cars and household capital goods, have also continued to expand but not at the same rate as the new instruments.

At the same time, retailers and car companies have also started to offer a greater variety of credit facilities for consumers.

For example, the private Peugeot car group has just launched a special credit card for its customers which also offers revolving credit facilities. Renault, its state-controlled rival, is planning a similar move.

Several major banks have also taken control of specialised consumer lending institutions or started their own subsidiaries. Societe Generale bought Creg in 1982 while the Banque Nationale de Paris took control of Credit Universel. Credit Lyonnais, the other major clearing bank, launched its own consumer credit subsidiary, Clefem, in 1984.

The development of home banking linked to the successful development of the Minitel videotext technology by the French telecommunications authority has also encouraged the growth of consumer credit in France.

The banking system believes there is considerable growth potential for consumer lending in France, especially as the general level of indebtedness of French households remains well below that in most other OECD countries.

But the French authorities are carefully watching the development of these activities and the risks of too rapid an expansion of the consumer credit industry.

Paul Betts

Insurance market

Preparing for a period of radical reform

CHANGE IS in the air in Paris, on the Rue Chateaudun, the French equivalent of London's Leadenhall Street and the heart of the nation's insurance industry.

The most radical reform of the country's system of insurance regulation since 1945 is now beginning. And in spite of last month's plunge in world stock markets, the Finance Ministry insists that the long-delayed privatisation of UAP, France's biggest insurer, will go ahead soon, though it will miss its original early December flotation date.

Yet the future role of France in the world's insurance industry is still uncertain. The year 1992 is due to mark the creation of a genuinely free market in financial services throughout the European Community. And some of the French insurance industry's leading figures have identified that as a decisive moment of opportunity for French insurers to expand internationally.

But in the words of Mr Benoit Jolivet, the French government's director of insurance, in a speech delivered last summer: "Everybody's talking about 1992 and the great internal market but, at bottom, nobody can really say what it is going to mean." What is clear, he says, is that competition within the international insurance industry will be "cruel and merciless."

Hence the Government's launch in February of plans for a new insurance law with the twin goals of liberalising and modernising insurance regulation.

Government officials in Paris see it as a move towards the British system, in which insurance companies are in theory given "freedom with publicity." That is, they are allowed a high degree of independence from direct Government regulation of prices, or types of insurance contract - but in return they have to disclose substantial amounts of information about what they are up to.

Mr Edouard Balladur, the Finance Minister, summed up the aims of this in a key speech when he said: "The European common market in insurance will be, tomorrow, one of the most important in the world. It must constitute an extra chance of development for French insurance, and not a handicap."

Government officials see the new law as a move towards the British system, allowing great independence

This autumn, one of the most striking signs that French insurers are girding their loins for the coming conflict appeared when Compagnie du Midi, the banking, beer and insurance group, took over Equity & Law, the 20th biggest British life assurance company.

But expansion by acquisition may not be enough. The trouble is that the history of the French insurance industry - and, crucially, its methods of marketing and distribution - haveleft it with one big handicap. The problem lies in the relative underdevelopment of the nation's insurance broking sector.

"There's no tradition of broking," says the former head of one of the big nationalised French insurance groups. "The biggest brokers are all foreign-owned."

In fact, insurance marketing in France traditionally has been channelled through three main forms of distribution.

There are some 22,500 *agents generaux*, which are typically small firms found in every French town, selling the products of just one insurance company, and servicing maybe 300 longstanding clients.

In addition, there are an estimated 25,100 life assurance sales staff. And insurance companies employ between them about 97,500 people in selling direct to the public. As for actual insurance brokers, there are about 1,700 - but their small size is indicated by the fact that they employ only about 10,000 people between them.

The biggest French-owned broker, Faugere & Jutheau, ranks only 16th biggest in the world, with 1986 brokerage income of FFr579m. That makes it only one-eleventh the size of Sedgwick, the biggest UK-based broker, and only half the size of Minet, a medium-sized British broking group.

What does this mean for French insurance as a whole? Onthe life assurance side, there is little sign that it is inhibiting growth - though French people are still substantially under-insured compared with Britons or West Germans. Industry-wide figures show a 28 per cent jump in life assurance and savings plan premiums in 1986, to FFr96bn.

And on the household and motor insurance side, there are signs that even after 1992 the French market will remain securely dominated by domestic companies.

The important factors here have been the rapid growth of mutual insurance companies, such as the Mutuelle Agricole, which sell direct and have tended to under-cut prices charged by longer established insurers. In turn, banks and even department stores - such as the famous Carrefour in Lyons - have become significant sales outlets for personal lines in insurance products.

Where the lack of big brokers is really significant is in the non-life market for what the French call *les grands risques industriels* - property and liability insurance for business enterprises. Here, it dovetails with what some see as another French insurance industry defect: the lack of a world-class reinsurance company, like the *Munich Re*, the *Swiss Re* or the General Re of the US, or of a big pool of specialist underwriting capacity such as Lloyd's represents for London.

Many leaders of French insurance are adamant that the domestic market can carry any property or liability risk that French manufacturing industry produces. But on the Rue Chateaudun, one fear is that when all the barriers to a free market in European insurance do come down, the big British and American brokers will begin channelling that business away across the frontier to London or New York.

Nick Bunker

Profile: Georges Pebereau

A successful new start as investment banker

MR GEORGES PEBEREAU, the former chairman of France's Compagnie Generale d'Electricite (CGE) and one of the country's most accomplished international industrial dealmakers, has made a successful new start in life as an investment banker.

In barely eight months he has raised nearly FFr1.5bn of capital for his new financial activities grouped around investment bank Marceau Investissements.

He and his partners have also recently taken control of Compagnie Privee de Banque, a small French investment bank, or *banque d'affaire*.

The success of Mr Pebereau's start-up in the banking business is all the more remarkable since he did not expect to lose his job at CGE 18 months ago. Indeed, he had just clinched a landmark telecommunications alliance between CGE's Alcatel subsidiary and ITT of the US.

The deal saw CGE take control of a new international telecommunications giant, grouping together Alcatel's and ITT's telecommunications operations.

But the new right-wing Government of Mr Jacques Chirac, which had won the legislative elections a few months before, apparently felt uncomfortable in keeping a virtuoso like Mr Pebereau at the helm of one of the country's key industrial concerns targeted for privatisation.

The ITT deal was by the far the biggest but not the only coup engineered by the former CGE chief executive.

Before the telecommunications alliance with ITT, he had already absorbed the telecommunications businesses of Thomson, the French nationalised defence and electronics group, as well as gaining control for CGE of Framatome, the leading French nuclear power plant builder. And he had other major transactions in the pipeline in his constant search to give CGE the necessary scale to compete in world markets.

His removal from the top of CGE clearly came as a shock. Mr Pebereau now acknowledges that he "went in the wilderness," although in retrospect "my time in the wilderness was shorter than I expected."

Shortly after leaving CGE, he met Mr Gustave Leven, the chairman of the Perrier mineral water group, and Mr Jean-Louis Descours, the head of the Andre shoe group, who discussed with him the opportunity of setting up an international investment bank.

"What is surprising about Mr Pebereau is the speed in which he has managed to recycle himself successfully in a new career," one French investment banker observes.

The same banker adds that often in France leading businessmen, financiers or high civil servants often find it hard, if not altogether impossible, to start a career from scratch again after falling from political grace and their former lofty pedestals.

The risks for top businessmen are particularly acute in France, especially in state sector industries and banks, since new governments inevitably indulge in a political spoils system after any election, seeking to place chairmen favourable to them in the key jobs.

But Mr Pebereau, whose younger brother, Michel, is chairman of the recently privatised Credit Commercial de France (CCF), took up his new challenge with gusto. Within a few months, a number of French and international institutions took stakes in his new investment banking venture.

Apart from Mr Leven and Mr Descours, other investors have included the Caisse de Depots, the Axa insurance group, and a financial subsidiary of the Total oil group. Pallas, the investment group started up by Mr Pierre Moussa, the former chairman of Paribas, also put money in the venture.

Indeed, Mr Moussa, like Mr Pebereau, wasted no time in setting up a new financial venture after leaving Paribas when the left nationalised the big French financial group which has now been privatised again.

Other investors in Mr Pebereau's operation include a subsidiary of the L'Oreal cosmetics group, the now privatised Suez financial group, and BAT's Eagle Star insurance subsidiary.

Mr Pebereau has also attracted West German and Swiss investors and is negotiating to bring in American, Japanese and other Far East investors into his group. "The recent stock market crash has made things more difficult but I still hope to see American and Far East investors come in by the end of this year," he says.

Georges Pebereau: a time in the wilderness

Mr Pebereau's aim is to develop Marceau as an investment bank with strong international industrial links. With a small but highly qualified team - a number of his former CGE or Alcatel associates have joined him - Mr Pebereau is continuing to capitalise on his extensive international business contacts.

The bank has taken stakes in a number of ventures as well as becoming part of the so-called "hard core" investors of the recently privatised Societe Generale clearing bank and the Suez financial group.

Mr Pebereau also wants to develop merger and acquisition businesses and financial engineering activities. He played a part this year in the recent acquisition by Perrier of BCI Arrowhead, the mineral water division of Beatrice Foods.

Even though the bourse collapse has made life more complicated, Mr Pebereau expects the new situation in world financial markets to lead to "an explosion of fireworks" in coming months. In France, in an increasingly deregulated financial environment this is especially likely to occur after the presidential election next spring.

"France is likely to become an increasingly attractive target for international groups and we are likely to see a lot of deals. Some have already started," he says.

Paul Betts